

ary 13

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# FINANCIAL TIMES



**Indian corruption**  
*Blessing in disguise?*

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World Business Newspaper



**Corporate greed**  
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**Resolving conflicts**  
*Why Europe leaves it to the US*

Edward Mortimer, Page 12

**Today's surveys**

*European postal systems  
Conferences and exhibitions*

Separate Sections

## Record fines for French builders over price fixing

The French Competition Council imposed record fines of FF 1.6bn (£77m) on 36 construction companies for price fixing and other anti-competitive behaviour as part of a crackdown on cartels. The main target of its research into the construction sector, which took five years, was the French conglomerate Bouygues, one of the country's largest companies. The council ordered it to pay FF 1.487.7m in penalties. Page 2

**Deutsche Babcock plans disposals:**  
Struggling German engineering group, Deutsche Babcock, plans to sell businesses with annual sales of DM 1.6bn (\$1.1bn) as part of an overhaul to improve profitability. The group said it might make the disposals through "US-style auctions". Page 15

**Germany says Euro stability essential:**  
Germany's central bank, the Bundesbank, said it might be preferable for European monetary union to be delayed than to start on schedule in 1999 without member countries having reached adequate economic stability. Page 14

**Nato acts over war criminals:** Nato is providing its troops in Bosnia with more information about suspected war criminals to increase the chance of catching them. Page 3

**Buffett plans stock split:** Warren Buffett's Berkshire Hathaway investment group has reluctantly put forward a plan which would make it easier for smaller investors to buy shares. Page 15; Lex, Page 14

**Singapore bans five companies:** Five international companies were banned from seeking state power contracts in Singapore after being implicated in a bribery scandal. Page 14

**European car sales rise sharply:** Europe's sales of new cars reached 1.16m in January, a 6.7 per cent increase over January 1995, helped by sharp rises in France and Germany. Page 2

**Bruton ready to discuss Ulster poll plans:**

Irish prime minister John Bruton (left) said he was ready to talk to his UK counterpart, John Major, about Britain's proposal for elections for Northern Ireland. Mr Bruton said the two premiers were in contact to work out specific measures to keep the peace process alive after last Friday's IRA bombing in London's Docklands which killed two. Page 8

**Hyundai enters aircraft industry:** South Korean industrial group Hyundai is to enter the aircraft industry by producing wings for the McDonnell Douglas MD80-100 airliner in a \$1.1bn deal. Its main Korean rival, Samsung, also has aerospace ambitions. Page 7

**CompaServe, the US-based consumer online information service, has reinstated access to all but five message-posting areas of the Internet that it cut off under an investigation of online pornography by the German government. Page 5**

**Leeson's new claims over Barings account:** A book by former Barings trader Nick Leeson, jailed for his part in the UK merchant bank's collapse, claims he created his hidden trading account on the instruction of a controller at Barings' headquarters in London. The account was used to hide the £230m (£1.2m) in losses he incurred. Page 14

**South China Morning Post Holdings,** publisher of Hong Kong's leading English-language daily newspaper, launched a HK\$1.15bn (US\$1.45m) bid for property and media group TVE. Page 18

**Russian minister's nationalisation calls:** Russian interior minister Anatoly Kulikov proposed a sweeping programme of nationalisation, including leading commercial banks, to help the cash-strapped federal government fill its coffers. Page 2

**Italian cleared of 14 murders:** An Italian court of appeal cleared a 70-year-old farm labourer of 14 killings attributed to a murderer dubbed "The Monster of Florence", Pietro Pacciani, convicted of the seven double murders in 1984, had repeatedly protested his innocence.

**Braveheart wine meets Oscar nominations:** *Braveheart*, the medieval epic directed by its star Mel Gibson, leads the field of Oscar nominations with ten. It will compete for best film against *Apollo 13*, *Brokeback Mountain* and Italian film *Il Postino*. Briton Emma Thompson was nominated for two awards: best actress and best adapted screenplay for *Sense and Sensibility*.

**STOCK MARKET INDICES**

New York	London	Paris	Tokyo
Dow Jones Ind Av ...	5,005.2	(+0.05)	3,005.1
NASDAQ Composite ...	-1,002.33	(-0.05)	
Eurox & Far East			
CAC 40 ...	1,983.33	(+0.68)	
DAX ...	2,433.91	(+5.88)	
FTSE 100 ...	3,747.5	(+2.10)	
Nikkei ...	21,764.23	(+0.59)	

**US LUNCHTIME RATES**

Federal Funds ...	5.1%	(same)	
3-mo T-bill BIS Yld ...	4.885%		
Long Bond ...	5.95%		
	5.95%		

**OTHER RATES**

UK 2-mo Interbank ...	5.2%	(same)	
UK 10 yr Bond ...	6.0%	(5.95)	
France 10 yr OAT ...	6.55%	(10.57)	
Germany 10 yr Bund ...	5.84%	(5.18)	
Japan 10 yr JGB ...	11.15%	(10.59%)	

**EUROPEAN SEA (Argus)**

Best 15-day (Mar) ...	\$17.75	(16.83)	Tokyo \$ close ...	Y 108.57
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Movie LEX 220 Century DM 4000 Ushuaia £m 15.00 Cities CR 13.00

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Belgium DM 275 Hungary F 220 Morocco Mala DM 1250 Shangai Rp 54.65

Slovenia Luf 1250 Iceland N 220 Net R 4.75 S. Africa R 12.00

Cyprus DM 220 India R 275 Nigeria S 220 Spain Rp 220

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## Italy heads for early election as talks fail

President to be told parties cannot agree alliance plan

By Robert Graham in Rome

Italy moved towards an early election last night as the main parties failed to agree on a formula to back a new government headed by Mr Antonio Maccanico, an ex-senator.

The failure of Mr Maccanico in the ambitious project, to bring the centre-left and the right-wing alliance together to back a government committed to reform, came after 13 days of intense negotiations.

President Oscar Luigi Scalfaro has strongly resisted early elections, fearing these will do nothing to resolve Italy's chronic political instability. But such a move will now be hard to avoid.

Last night the main question was whether parliament would be dissolved immediately or be kept alive during the remains of the Italian presidency of the European Union which ends in June, with the hope the parties might find some common ground. In either case it means the Italian government will have little authority to steer the presidency.

It was announced last night that Mr Maccanico would inform Mr Scalfaro this morning of his failure to secure an agreement. He was entrusted with the task on February 1 after an agreement between Mr Massimo D'Alema, leader of the Party of the Democratic Left (PDS), and Mr Silvio Berlusconi, head of the right-wing alliance, to postpone elections and back a government committed to reform.

Mr Lamberto Dini, the outgoing prime minister, has remained caretaker since he submitted his resignation on January 12. It is expected he will be asked by Mr Scalfaro to head a caretaker government until elections. A quick dissolution of parliament would mean a general election in April, since 45 days must elapse between the end of the legislature and the poll date.

The two main alliances bitterly attacked each other for failure to reach an agreement on the government. Mr D'Alema said: "Our position has always been coherent: either we have the reforms or we go to elections... As the path to reforms is closed, then we go to elections."

The PDS leader, who staked his personal prestige on the formation of the government, singled out Mr Gianni Fini, the head of the right-wing National Alliance (AN) as the main block on a deal.

It was also Mr Fini who placed a veto on Mr Dini forming a new government last month.

But Mr Berlusconi also had had much at stake, hoping to postpone elections for 18 months while his judicial problems were resolved. His trial has begun in Milan on charges of bribing tax inspectors looking at the books of his Fininvest empire.

A statement from Mr Berlusconi's alliance said last night: "The leader of the PDS has closed the door on all possibility that premier-designate Maccanico might have of forming a new government and we are profoundly displeased."

The president may yet try to find a formula to keep a government in place.

Italy's budget in squeeze, Page 2

The US semiconductor industry's key market indicator for January fell to its lowest level in more than five years as new orders for memory chips declined.

The semiconductor "book-to-bill ratio", a measure of the value of new orders against shipments, fell to 0.93 last month, compared with 1.11 a year ago.

The Semiconductor Industry Association, trade group reported, the drop in the closely watched market indicator was a surprise. Wall Street analysts expected a ratio of about 1.05 for January.

Unusual factors appear to have slowed new semiconductor orders, particularly in the memory chip segment over recent weeks.

In particular, growth in personal computer sales during the Christmas season did not live up to overheated expectations.

Although PC sales were up more than 20 per cent in the fourth quarter last year, some analysts had been expecting growth of over 30 per cent.

While raising concerns about slower growth in the US semiconductor market, the drop does not indicate any significant weakness in demand, industry analysts said.

It now appears that PC manufacturers and manufacturers of PC circuit boards built up large inventories of memory chips in anticipation of higher sales growth.

These companies now have excess stocks of components and are adjusting their orders accordingly.

At the same time, a shortage of Dynamic Random Access Memory (DRAM) chips, which has plagued the PC industry for the past year, appears to be easing and prices have declined over the past few weeks.

Industry analysts believe some PC manufacturers have now decided to adjust inventories of memory chips to a two-week supply instead of the four-week supplies of parts they were maintaining.

The January book-to-bill ratio reflects these trends, with orders down sharply from a record level of \$5.01bn in December to \$4.16bn in January, a decline of 16.8 per cent. The January figure

powerful executive committee, which oversees the most important decisions taken by the company. His departure, however, will only have symbolic significance and is not likely to have much impact on the company's strategic direction, which already changed last year.

He was instrumental in the company's decision to buy AEG, the electrical engineering group, in the mid-1980s, and subsequently oversaw the company's drive into aerospace and software engineering. A disgruntled shareholder once famously described Mr Reuter as the biggest destroyer of capital in German postwar history.

The association for the protection of small shareholders, which asked for his resignation last year, welcomed the move.

The resignation also ends controversy over his smooth transition from the chairman of Daimler-Benz to a senior post in the company's supervisory board, which occurred at a time of growing public concern over German business ethics.

Mr Reuter, who will be 68 on Friday, announced his resignation yesterday at a round-table meeting with German businessmen, chaired by Chancellor Helmut Kohl in Bonn. He said his decision would take effect immediately, but declined to comment further.

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## NEWS: EUROPE

# French construction cartels fined \$77m

By Gillian Tett in Paris

The French competition council yesterday imposed record fines of FF138m (\$77m) on the construction industry for price fixing and other anti-competitive behaviour in recent public sector projects worth over FF10bn.

The council accused 36 French companies of creating cartels for contracts ranging from the TGV high-speed railway to the Normandy suspension bridge over the Seine. The fines mark one of the

first serious attempts by the council, which was set up in 1987, to act against cartels. The council has hitherto refrained from becoming involved in any high profile cases.

"This is the most important case we have dealt with," the council said yesterday. The council is investigating a number of other sectors, including telecommunications and electricity. However, its work is proceeding slowly, not least because it has only 20 full-time investigators.

The main target of its

research into the construction sector, which took five years, was the French conglomerate Bouygues, one of the country's largest companies. Yesterday the council ordered it to pay FF148.7m in penalties. Operations at Bouygues are already under scrutiny by French magistrates following the announcement two months ago that Mr Martin Bouygues, group chairman, was being investigated for alleged corruption.

Last month Bouygues announced that net earnings,

excluding provisional items, were about FF400m in 1995, although a series of exceptional provisions had caused it to record a FF4bn loss.

Bouygues yesterday reacted angrily to the decision and said that it would be appeal against it.

The company complained that the council had used too high a turnover figure as its basis for calculating the size of the fine.

The other fines imposed were far smaller: two construction groups, Entreprise Indus-

trielle and Campenon Bernard, were each fined more than FF130m, while another two — Quillière and Spie Batignolles — faced fines of over FF120m.

The council said that the scale of the fine on Bouygues reflected both the size of the company and the fact that the group had taken part in most of the cartels uncovered.

Some of these cartels were associated with the construction of a series of bridges from 1988 onwards. However, some of the cartels were also extended and associated with the exten-

sion of the TGV in projects estimated to be worth some FF11bn.

According to the council, the largest companies decided in 1988 to form themselves into four groups, in order to ensure that each group got a quarter of the work allocated.

They then cut a series of deals to divide the separate TGV projects in the following years. When one Italian group, Condotto d'Acqua, which was outside the cartel, attempted to bid for a project it was squeezed out.

## EUROPEAN NEWS DIGEST

# Italian mobile phone row rages

Italy's two rival mobile telephone operators failed to resolve a dispute over a network accord regulating the country's GSM digital service which was meant to take effect yesterday.

Talks were continuing last night at the communications ministry between the state-controlled Telecom Italia Mobile and Omnitel Pronto Italia, an international consortium which won the country's second GSM licence and launched a commercial service in December. TIM has refused to provide Omnitel with "roaming" — temporary use of its network — because it rejects Omnitel's claim that its own network now covers 40 per cent of the country, a condition of the accord.

TIM also claims that national "roaming" would present technical problems which might make interconnection of calls difficult. "Roaming" is also part of a package agreed in principle between the Italian government and the European Commission to compensate Omnitel for discrimination over the terms of the licence. Omnitel earlier this week stepped up the pressure on TIM by altering its tariff structure and reducing prices in some user categories. John Sankins, Milan

## Spain seeks move on terrorism

Spain has called an extraordinary meeting of the Schengen Convention committee for February 21 to deal with the fight against terrorism. The Spanish secretary of state for European affairs said yesterday. Spain's request comes on the heels of a row with Belgium over the fellow European Union member's failure to extradite two people suspected of collaborating in terrorist activities. Last week the Spanish government said it would no longer enforce two articles on extraditions and co-operation between national courts under the Schengen accord.

The growing dispute between the two countries threatens the solidity of the one-year-old treaty among EU members, which is designed to allow free movement of people across borders. Participating countries dropped internal border controls last July 1 and promised to co-operate with members' courts to prevent free movement of criminals. Reuter, Madrid

## Court ruling on maternity pay

Women on maternity leave are entitled to a pay rise awarded before or during their time off work as a result of pregnancy, according to a ruling by the European Court of Justice published yesterday. The ruling arose out of a sex discrimination case brought by women health workers in Northern Ireland. They complained that their pay had been cut in real terms as a result of a pay deal struck during maternity leave in 1988.

The original action was brought against the Department of Health and Social Services, as well as the northern, eastern and southern Health and Social Services boards in Northern Ireland. But the case was heard in the courts before the passage of a 1992 EU directive which offers protection to the health and safety of female workers, especially before and after giving birth.

The Luxembourg-based Court of Justice said that the benefits to be paid during maternity leave were a matter of national legislation. The amount payable could not be so low as to undermine the purpose of maternity leave, but this did not apply to the Northern Ireland health workers' case.

Lionel Barber, Brussels

## Moldova woos foreign investors

The Moldovan government has invited foreigners to take part in tenders for controlling stakes in 41 companies, a top government official said yesterday. "On March 1 we shall announce terms of the forthcoming tenders and initial prices of the 41 companies to sell them to strategic investors this year," Mr Ceslav Ciobanu, privatisation minister said. Local investors so far have bought only 45 companies out of 165 offered by the government at cash auctions, contributing 20m leu (\$4.4m) to state coffers. Foreign investment in Moldova is currently estimated at \$50m.

The 41 companies include hotels in central Kishinev, the Farmaco pharmaceutical company, food and light industry enterprises, cement and cardboard factories and the Alfa television factory. The government would also soon adopt the mechanism permitting foreigners to buy the land adjacent to companies located in urban areas, Mr Ciobanu said.

Reuter, Kishinev

## Romania-Hungary talks resume

Romania and Hungary agreed yesterday to resume talks at the beginning of March on a basic political treaty likely to boost their chances to join the European Union and Nato as full members. "We agreed to resume talks on the reconciliation initiative later this month... and on the basic treaty at the beginning of March," Mr Ferenc Somogyi of the Hungarian foreign ministry said at the end of a two-day visit to Romania. Bucharest and Budapest have been unable to agree to a post-communist treaty putting aside old grievances, mainly over the Romanian province of Transylvania, home to a large Hungarian minority.

Reuter, Bucharest

## Kulikov urges nationalisation

Mr Anatoly Kulikov, the Russian interior minister, yesterday proposed a sweeping programme of nationalisation to help the cash-strapped federal government fill its coffers. In an interview with the Russian news agency Interfax, Mr Kulikov said the nationalisation scheme should target leading commercial banks and partially privatised companies including Gazprom, the giant monopoly natural gas producer, Lukoil, Russia's most powerful oil company, Avtovaz, the car manufacturer which produces the Lada, and Most bank, one of Russia's leading private banks.

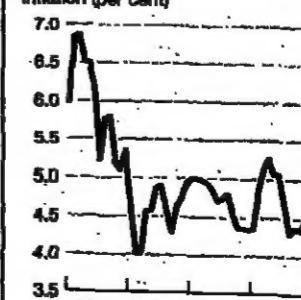
Chrystia Freeland, Moscow

## ECONOMIC WATCH

## Spanish inflation falls to 3.9%

## Spain

Inflation (per cent)



Spain's year-on-year headline inflation has fallen to 3.9 per cent, down from 4.4 per cent at the end of December. The fall, which was greater than the markets had anticipated, brought the inflation rate to its lowest level since 1989.

The good performance was helped by a freeze in electricity prices and the dilution of 1995 VAT rises. Mr Pedro Solbes, the economy and finance minister, said Spain had now entered a low inflation period and that the inflation could fall to 3.5 per cent, the 1996 target of Spain's Eme convergence

programme, as early as April. Underlying inflation also fell further than expected to 4.2 per cent, down from December's year-on-year rate of 4.8 per cent. Registered unemployment edged up in January, with 44,912 more unemployed than in December and brought the total number of registered jobless to 2,421,162, 15.42 per cent of the workforce. Officials said unemployment would fall this year as some 150,000 jobs were created.

Consumer prices in the whole of Germany rose 0.1 per cent in January from December and were up 1.5 per cent year-on-year.

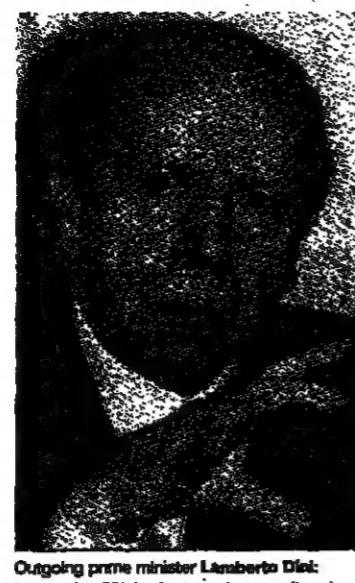
The Swedish central bank yesterday cut its key repo rate by 15 basis points to 8.30 per cent. This was the third cut this year.

Finland's GDP at market prices rose 4.4 per cent in 1995, the same pace as in 1994.

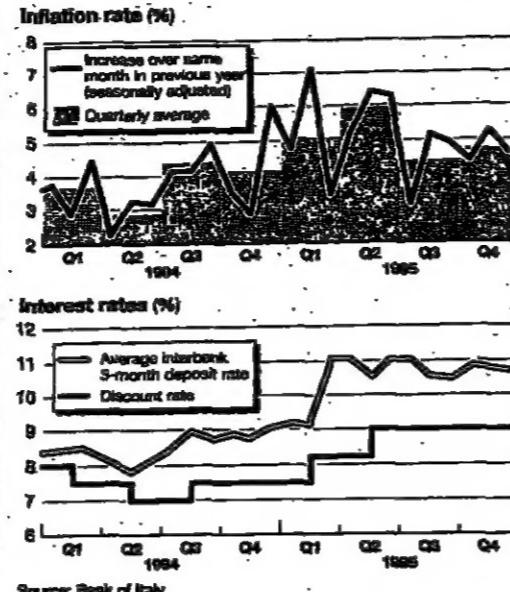
Tom Burns, Madrid

# Italian budget feels political squeeze

Looking at things differently: which route to a smaller deficit?



Outgoing prime minister Lamberto Dini: insists his 1996 budget requires no alteration



Bank of Italy governor Antonio Fazio: foresees need for additional measures within months

per cent of GDP. This is in the macro-economic framework of bringing the deficit down to 3 per cent of GDP by the end of 1997, and to align Italy's public finances closer to the convergence criteria of Maastricht.

Mr Dini himself conceded late last year that the current budget was inadequate when he said Italy would need to introduce a package with

savings and new revenues of £70,000bn in 1997 to bring the budget deficit within the Maastricht criteria on time — double the size of this year's adjustment.

This figure has now become the rough guide for the parameters of the 1997 budget. But no one has yet suggested how this huge sum is to be found, least of all backers of the new gov-

ernment of the prime minister designate, Mr Antonio MacCannico.

The outgoing economic team argues that Italy has now embarked on a virtuous path with a strong primary surplus in the budget (receipts excluding debt service), continued good growth of around 3 per cent and inflation due to fall to 4.5 per cent and below. In

response, the lira has recovered all the ground lost last year and stands to strengthen further.

Government officials maintain that the Bank of Italy will be obliged to lower interest rates from the current high of 9 per cent. A rate cut in turn will have a cumulative beneficial impact on the burden of debt service — every percent-

age point bringing savings over a two-year period of close to £15,000bn. This, however, will only mitigate in part the need for a tough 1997 budget.

Accordingly, the Bank of Italy wants clear signs that inflation is coming down and would like to measure the trend over the first quarter.

At the same time, officials worry about two other unpredictable elements.

The first is the speed of the programme of privatisations, and the extent to which the treasury will be able to benefit from the proceeds. Because of parliamentary blocking tactics the programme is behind schedule.

The second centres on how the government will tackle the 1994 constitutional court decision ordering the payment of pension arrears now worth some £32,000bn.

Because of these concerns, the central bank believes it is wiser to spread the load of the 1997 budget, bringing forward some of the measures to find £15,000bn-£20,000bn by May.

It will be interesting to see whether the new government heeds the bank's advice or adopts a more political stance. With talk of postponing Emu, the politicians might be tempted to lessen the shock of greater budgetary discipline.

Robert Graham

# Surprise rise in new car sales in Europe

By John Griffiths in London

Europe's sales of new cars substantially outperformed industry expectations in January, with sharp rises in France and Germany lifting total registrations to 1.8m, a 6.7 per cent increase compared with the opening month of 1995.

However, the industry is taking a cautious view of prospects. It is projecting total growth of 3 per cent or less this year, as a result of continuing high unemployment, economic uncertainty and high debt levels in many European countries.

The upturn was led by France, where registrations jumped year-on-year by over 18 per cent. An 11.5 per cent year-on-year rise in Germany, Europe's largest single market, was also much higher than the industry had been expecting.

The overall European picture remains varied, however, with registration increases being recorded in 12 of the countries monitored and falls in five.

January saw Volkswagen group further strengthen its grip on the leadership of the European market, with a 16.5 per cent jump in registrations of Volkswagen-badged cars.

Fiat also made a flying start to the year, leap-frogging General Motors, Peugeot/Citroën and Ford to take second place

in this year's registrations league table. Its investment in new models for the Alfa-Romeo subsidiary is also paying off. Alfa registrations were a third up on last January.

The launch of the new Peugeot 406 range also gave a sharp boost to the Peugeot/Citroën group. Notable among last month's "losers", however,

were BMW, whose registrations were 16 per cent lower, and Volvo, which suffered a 27 per cent slump.

While Japanese manufacturers as a group slightly outperformed the market overall, by far the biggest inroads were made by South Korean manufacturers, whose registrations soared by 76 per cent.

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The Berlin-based cartel office can approve such special cartels if an "enduring fall in demand" for its products can be proved. An official at the office said that a temporary economic slowdown was not sufficient but that the scare caused by BSE — and the resultant fall in demand — might be cause for such a cartel.

The German Cattle Breeder's Federation (ADT) estimates that beef consumption fell 10 per cent in 1994 because of scares about BSE and a fur-

ther 5 per cent last year. "The whole industry is currently in a structural crisis," said Mr Herbert Wüst, chairman of the Moksel group, a leading meat processor. "Almost no big company in this business makes money. The time for stand-alone solutions is over." The cartel would set a general production ceiling and would allocate individual limits which would be gradually reduced.

A plan to cut capacity in the industry and that at least 60 per cent of all slaughterhouses would have to take part. "The companies now have to decide if they can agree on a proposal which we can approve," an official said.

Although only four cases of BSE have occurred in Germany, compared with about 150,

## NEWS: EUROPE

Today's vote expected to back greater restriction on broadcasting content

## MEPs set for showdown with media

By Caroline Southey  
in Strasbourg and  
Emma Tucker in Brussels

The European Parliament is heading for a showdown with national governments and the media industry over plans designed to curtail the freedom of broadcasters and place curbs on new "superhighway" services.

The parliament is today expected to vote in favour of amendments to the "television without frontiers" broadcasting directive to impose greater limits on broadcasting content than the legislation adopted by the Council of Ministers last year.

Backed by the majority of French MEPs of all political persuasions as well as the socialist bloc, the parliament appears set to approve most of the amendments tabled by its cultural committee.

The European People's party, the second largest bloc in the parliament, has tabled a number of counter-amendments in an attempt to water down some of the proposals.

The committee's amendments would force general content television channels to screen at least 51 per cent European-made programmes, a quota at present applied flexibly. The committee wants the quotas to be enforced by "legally effective means".

The committee also wants programmes such as chat shows excluded from the calculations on European content. Operators of theme channels, such as movie or cartoon services, would not have to comply with the quota, provided they invested 25 per cent of their programming budget in European productions.

Ms Luciana Castellina, chair of the parliament's cultural committee, said the quotas were necessary not because "it is Europeans against Americans, but big against little."

An incentive was needed for

European production because of the "vicious circle" created by showing small children only American heroes. "This is what they will grow to like," she said.

She dismissed suggestions that quotas would lead to a trade row with the US. "The Gatt round agreed rules of the global market could not apply to culture and an exemption would be built in."

The amendments also seek to place restrictions on the distribution of new "superhighway" services by extending the legislation to services such as video on demand.

The council of ministers decided last year that new services should be excluded from the legislation.

Further changes include extending present rules on advertising to tele-shopping, and that "legally effective measures" should be taken to prevent advertisements being broadcast during children's programmes which are "detrimental to them morally or psychologically".

The amendments have horrified the media industry which believes they could stifle innovation in broadcasting at a time when new technologies are allowing traditional broadcasters to experiment with new services, such as video on demand, as well as restricting important advertising revenue.

"The parliament is adopting a completely emotional and irrational stance on this issue," said Ms Sophie Wade, general secretary of the Association of Commercial Television in Europe, which represents almost all private broadcasters in the EU.

The parliament's decision still faces scrutiny by the Commission and Council, after which MEPs will have the opportunity to vote on the issue again.

If, after the second vote, common ground cannot be found, the current legislation prevails.

## French naval yards' future put in doubt

By David Buchan in Paris

The French government plunged further yesterday into the political minefield of restructuring the country's arms industry by publishing a Defence Ministry report highlighting the problems of low productivity and falling orders in the state-owned

lent to double its turnover. At the same time, Mr Milion dismissed as hypothetical a report in yesterday's *Le Monde* newspaper of a plan to cut the French army from 240,000 to 130,000 men, in the context of a switch from conscription to a professional service. President Chirac had not yet made the decision to abandon national service. Mr Milion stressed, in a move to head off any outcry from local politicians, at the closure of some 100-150 military installations which the plan would involve.

In 1992, the government split the DCN into two services - one to supervise navy ship orders and repairs and the other to carry out the work. But the Conze report called for "a clearer separation" of the two functions in order to improve productivity. But the report was pessimistic about the navy arsenals' ability to diversify its activities and to increase exports, because it was hide-bound by civil service rules and working practices.

Against a background of falling French navy orders which declined from FF12bn in 1990 to FF14.5bn last year, the report said the DCN was handicapped by productivity which measured at FF700,000 worth of output per employee was below the FF1m per employee norm in the rest of the country's defence industry.

The mobility of workers within the DCN's nine yards and factories was insufficient, while their average age at 42 was too high and the arsenals' purchasing practices, accounting for 65 per cent of their FF18.5bn turnover was slow and antiquated.

To manage export orders, such as the current sale of frigates to Taiwan, the DCN has set up a marketing company, DCN International, which is said to be on the government's privatisation list. Mr Milion said any sell-off was premature, but he underlined that the DCN's current status had handicapped it from collaborating more with other European countries.

Charles Milion: dismissed report of huge cut in army naval shipyards.

The report, prepared by a committee headed by Mr Henri Conze, chief of French defence procurement, stopped well short of any call for the privatisation of the Direction des Constructions Navales (DCN), which employs 25,000 directly and another 5,000 indirectly and constitutes the largest ship-building force in Europe.

Mr Charles Milion, the defence minister, promised full consultation with DCN workers, their MPs and unions before the government decided what remedial action to take in early summer. In planning changes at DCN, he said he would avoid the example of GIAT, which, like the DCN yards now, was a series of Defence Ministry arsenals before it was turned into a state-owned company in 1990. GIAT, which makes tanks, guns and ammunition, reported a FF12bn (£2.36bn) hole in its 1995 accounts, equivalent

## Austria to end anonymous trading accounts

By Eric Frey in Vienna

Austria will relax its strict bank secrecy laws by abolishing anonymous securities trading from July 1, Mr Viktor Klima, finance minister, announced.

The long-awaited move will bring domestic regulations in line with standard international practices and is designed to prevent insider dealing and money laundering.

Mr Klima reached formal agreement with the heads of the big banks to phase out

anonymous securities accounts, which permit investors to buy or sell stocks and bonds without presenting any proof of identity.

Investors will still be allowed to keep or sell anonymous holdings after July 1, but they must disclose their identity when they open new accounts or purchase securities through existing accounts. This should avoid a sudden sell-off that could depress the market, banking experts said.

Anonymous savings accounts, where most small savings are held, will not be

touched, Mr Klima said. They are very popular, even though they offer no advantage to owners. Interest is automatically taxed at 22 per cent.

The right to anonymity is limited to Austrian citizens,

the main conduit for insider trading and parking illegal funds from abroad.

The abolition of anonymous securities accounts is

Italy, though actual amounts are not known.

Italian law enforcement officials have repeatedly blamed Austrian banks for accepting illicit money from organised crime and tax evaders.

According to industry estimates, two thirds of all securities accounts in Austria are anonymous, but most are quite small and heavily concentrated in bonds. Some 80 per cent of all securities are believed to be held in named accounts.

The abolition of anonymous securities accounts has been

expected since Austria joined the European Union in January 1995. Bankers hope that it will improve the reputation of the Vienna stock market, which is believed by many to be rife with insider deals.

The new rules will make it easier to investigate insider trading, said Mr Gerhard Litzka, spokesman for the Austrian Justice ministry. International investors have complained they are denied a level playing field by the big banks, which control the stock exchange and most trading and new issue activities.

## Nato updates troops on war criminals

By Paul Wood in Belgrade and Bruce Clark in London

Nato commanders are providing their troops in Bosnia with more information about suspected war criminals to increase the chance of catching them, Mr William Perry, the US defence secretary, said yesterday.

The move is part of a continuing effort by the US and allies to prevent the issue of war crimes derailing the Bosnian peace process.

Mr Perry said as part of a "tactical change" the 60,000 members of Nato's mission in

Bosnia would receive photographs and other details of 44 Serbs and seven Croats who the UN war crimes tribunal in The Hague wants to try.

But the defence secretary, speaking in Zagreb, made it clear Nato stood by its pledge not to engage in manhunts for the suspects. Nato troops are obliged by the Dayton peace accord to detain the wanted men if the opportunity arises, but not to search for them.

The Hague tribunal, meanwhile, said it would decide "within weeks" whether to indict or release two senior Bosnian Serb army officers -

both alleged by the Sarajevo government to be war criminals - who were flown to The Hague on Monday.

The arrest of the two officers, General Djordje Djukic and Colonel Aleksa Krstavac, by the Bosnian authorities last week triggered a furious reaction from the Serbs, who cut off contact with Nato and the Sarajevo government.

Mr Richard Holbrooke, the US envoy, secured a promise from the Bosnian government that it would make no further arrests without the approval of The Hague. He also reaffirmed the US commitment over pros-

ecution of war criminals.

It was unclear last night how exactly the Serb side would react to the deal made by Mr Holbrooke, though it was clearly unhappy. A senior official in Pale, the Bosnian Serb stronghold, said the despatch of two senior Serb officers to The Hague was a "bad omen" for peace.

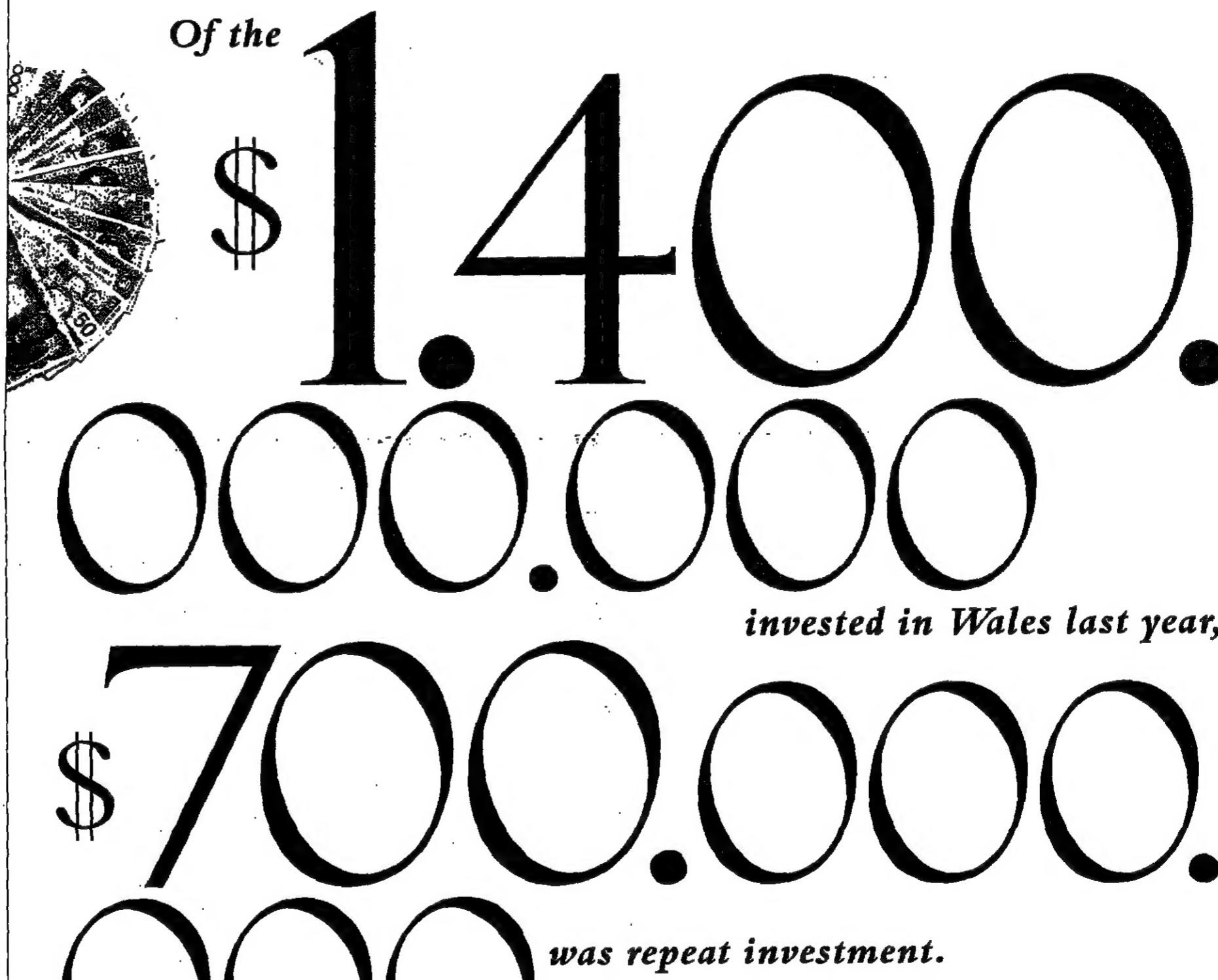
The Bosnian Serbs also served notice that they would refuse to attend arms control talks which are due to take place later this week in Vienna.

Continuing western concern about the Balkan peace process

was underlined yesterday by an announcement that Mr Malcolm Rifkind, the UK foreign secretary, would visit Slovenia, Bosnia and Albania next week. British officials said that in Bosnia he wanted to assess the civilian reconstruction effort which has been overseen by Mr Carl Bildt, the former Swedish prime minister.

US officials have criticised Mr Bildt for proceeding too slowly, while their European counterparts have complained that the mediator has received scant support from Washington or any other non-European capital for his Herculean task.

Holbrooke: reaffirmed US commitment on war criminals



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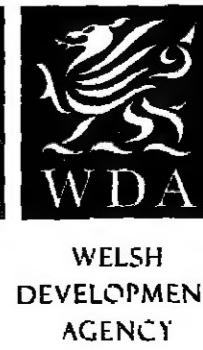
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## NEWS: THE AMERICAS

# Clinton emerges as real winner in Iowa

There was much in the Republican contest to cheer the president, writes Jurek Martin

**T**he Iowa caucuses have an awful habit of picking losers. Not since Mr Jimmy Carter in 1976 has the state, in its traditional capacity as the first to cast a vote in the race for the White House, managed to identify a relatively obscure candidate who went on to become president. Names like George Bush, Bob Dole, Gary Hart, Dick Gephardt, Tom Harkin and Pat Robertson were all flattered in the corn fields, only to be deceived elsewhere.

The safest conclusion is that the real winner on Tuesday in Iowa was President Bill Clinton. Not only was he able to run without opposition in the Democratic caucuses but he also had the satisfaction of observing the Republican contest looking as unappealing and more divisive than ever.

It certainly did not ignite the hearts and minds of Iowans. Attendance at the Republican caucuses was a modest 100,000, about 30,000 less than local party officials had predicted and 10,000 less than the last competitive caucuses in 1988. The negative nature of most of the campaign clearly turned some people off.

The Republican finishing order must also bring contentment, if not over-confidence, to the Clinton campaign. Senator Dole from Kansas, who the White House thinks the president can beat in November, won in the neighbouring state, but convincingly; his 26 per cent was well below the 38 per cent he scored in Iowa in 1988. He remains, at this stage, a shaky front-runner.

Mr Pat Buchanan, who the White House is convinced Mr Clinton would rout in November, was a strong second, boosted by religious conserva-

tives. Even if he does not get the nomination, his voice will be heard long and loud in the party all the way to the convention in August in San Diego, where anything approximating his "cultural wars" speech to the Houston gathering in 1992 can be guaranteed to make Democrats rejoice and moderate Republicans weep.

**B**ut it is also worth noting that the combined Iowa vote of Mr Buchanan and Mr Alan Keyes, the black rightwinger who finished sixth, exceeded that of Mr Dole, a testament to the power of religious conservatives that is likely to be felt throughout the months ahead and which could influence the composition of the Republican ticket.

If there is a shadow of doubt in the White House mind it centres on Mr Lamar Alexan-

der, whose very respectable third in Iowa makes him, for the moment, a real threat to Mr Dole. The former governor of Tennessee pitched his appeal to Iowans with the slogan ABC - Alexander Beats Clinton. "Entrance" polls before the caucuses showed that Mr Alexander, far more than the other eight candidates, was considered capable of upsetting the president. Some of Mr Clinton's advisers are reported to share this fear.

The Steve Forbes balloon was punctured in Iowa with a disappointing fourth place and a 10 per cent of the vote after a close second to Mr Dole had been predicted in some polling. His money gives him some air going into New Hampshire, the most fervent and tax state in the union, but he has not responded well to the rough-and-tumble of the stump

and his organisation in the bigger states to come remains weak.

Senator Phil Gramm of Texas, in fifth place and single digits, is now to all intents and purposes history. Democrats may regret this if only because no candidate with serious pretensions and a large treasury had displayed such a tin ear for politics and the mood of the electorate.

New Hampshire, the next stop next Tuesday, looks fraught for most of the above except Mr Buchanan who took 37 per cent of the vote against Mr Bush in 1992 and whose blunt economic conservatism remains popular in the state, its influx of wealthy Bostonian commuters notwithstanding.

The battle-within-the-war looks like being between Mr Dole and Mr Alexander. At least it can be said of the majority leader that he did not



Lamar Alexander's rag-time band: a top three hit in Iowa

Editorial comment, Page 13

A group of the most important Republican voters in America gathered in the sitting room of Craig and Patti Hill's Iowa farmhouse to play their role of kingmakers.

They were neighbours, friends, relatives and newcomers, come to do their civic duty as Iowans: to choose, by straw poll, the Republican candidate for the US presidency from the precinct of Union Township.

The tone was solemn and serious, like most things Iowan. These 26 farmers and professionals, labourers and farmwives knew they bore a heavy responsibility for shaping

the 1996 presidential election campaign. Together with the other 100,000 Iowans gathered on Monday night in firehouses, school cafeterias and town halls (themselves only 6 per cent of registered Iowa voters), they would narrow the nine-man Republican field down to three or four.

While Patti Hill scurried around serving coffee, biscuits and iced tea, and cutting up slips of paper for voting, husband Craig stood at the kitchen counter of their 1911 farmhouse and declared the Union Township Republican precinct caucus underway.

Iowans have gathered to debate and choose their politicians since the early 1800s (the word caucus comes from the American Indian name for a meeting of chiefs). Modern Iowans boast of their caucuses as experiences in grassroots democracy – just what the Founding Fathers would have wanted.

There could be no doubt, in the Hill sitting room, of the depth of their concern. One lone voice argued for the representative of the Republican status quo. Senator Bob Dole, the Senate majority leader (who narrowly won in the statewide caucus tally). But almost every other voice was raised in favour of change. Many praised Mr Pat Buchanan, social conservative and economic nationalist. Others commended publisher Mr Steve

Forbes, with his mantra of tax revolution. Some spoke for Mr Lamar Alexander, the former Tennessee governor, the voice of moderation. The speakers were not (despite the media stereotypes) fanatics. Their strong Christian beliefs were assumed, but not spoken. And the contentious issue of abortion, the source of so much extreme rhetoric from the Christian right, was largely ignored. When it was raised, several of the ladies grum-

bled quietly that abortion was a private matter.

Despite intensive campaigning – Republican candidates spent over 500 man-days, and millions of dollars, in Iowa – most said they came to the caucus undecided about their choice. Many were swayed, in time-honoured Iowa tradition, by the views of their neighbours.

So, when the ballots were pitched onto the dining table, there were nine for Forbes, eight for Alexan-

der, seven for Buchanan and two for Dole – scarcely a typical showing, statewide. Mr Forbes appeared to do well because of the strong advocacy of one person, while Mr Dole did badly because the mood was for revolution.

But the Buchanan vote was perhaps the most intriguing. He did well, even here where social moderation is stronger than Christian radicalism and where protectionist trade policies would hurt export farmers, because he was viewed as a man of principle, and an outsider.

Patti Waldmeir

## Kingmakers decide in a straw poll democracy

### Setback for White House over Fed

By Michael Prowse  
in Washington

President Bill Clinton's hopes of balancing the expected reappointment of Mr Alan Greenspan as Federal Reserve chairman with a vice chairman more sympathetic to Democratic policy goals collapsed yesterday when Mr Felix Rohatyn, the New York investment banker, ruled himself out as a candidate.

Mr Rohatyn, managing director of Lazard Frères, withdrew following vociferous opposition

from Republicans in Congress led by Mr Connie Mack, a conservative Senator from Florida.

The White House had not nominated Mr Rohatyn for the Fed vice chairmanship but signalled he was Mr Clinton's first choice to replace Mr Alan Blinder, the Princeton economist, whose term had expired.

The White House is expected to nominate Mr Greenspan to a third term as Fed chairman – not because it is entirely happy with him but because there is no other credible candidate acceptable to Wall Street and

the Senate. Mr Greenspan's term expires on March 2.

Mr Clinton also needs to fill a third vacancy at the Fed created by the resignation last year of Mr John LaWare.

The White House wanted to present the Senate with a "package deal" in which Mr Greenspan's reappointment would be linked to candidates for the other vacancies seen as more sympathetic to the Democrats. Mr Rohatyn was seen as an ideal balance to Mr Greenspan because of his standing on Wall Street and

advocacy of social spending.

However, Republicans rejected this ploy, making it clear that while they would confirm Mr Greenspan to a third term they would not accept a "tax and spend liberal" such as Mr Rohatyn.

The withdrawal of Mr Rohatyn yesterday left the White House scrambling for new candidates. Names mentioned included Mr Peter Keen, an economist at Princeton University, and Mr Benjamin Friedman, an economist at Harvard. See Observer, Page 13

### Argentina targets illegal workers

By David Pilling  
in Buenos Aires

Argentina, racked by high unemployment, is considering imposing prison sentences of up to six years and fines of up to \$100,000 on businesses and individuals employing illegal immigrants.

Mr Rodolfo Barra, justice minister, who prepared the legislation, said yesterday that the number of illegal workers had grown, although exact statistics were not available. The aim of the bill, being studied by President Carlos Menem, was to crack down on the employment of illegal aliens by "making fines very high, so it becomes extremely risky" to do so, Mr Barra said.

The government, which estimates it has 1m immigrants from poorer neighbouring countries such as Paraguay, Bolivia and Peru, has for several months been trying to shift the blame for record

The International Monetary Fund yesterday said it would sign a new agreement with Argentina when the current three-year extended fund facility ends this March. The new IMF programme will run until December 1997, but no other details have yet been announced, writes David Pilling.

The Fund, whose visiting

unemployment, now at 16 per cent, on undocumented foreign labour.

But many economists believe the government is using immigrants, mainly employed as domestic servants, rural labourers or building-site workers, as a convenient scapegoat. Argentines, on average the highest paid and among the best educated in Latin America, are often not prepared to accept what they consider the menial jobs taken by immigrants.

mission left Buenos Aires yesterday, has approved last year's accounts, overlooking minor discrepancies in view of the big external shock suffered by Argentina as a result of Mexico's 1994 devaluation. This year, Argentina has committed itself to a balanced budget, but will not attempt to generate a surplus as had been the original intention in 1995.

Ms Silvia Montoya, an economist at the Fundación Mediterránea, believes the impact of illegal aliens on unemployment is "negligible". If all immigrants – both legal and illegal – were removed from the market, unemployment would fall by only 1.5 points, she says.

Much more significant, she argues, is the number of internal migrants, driven by the lack of jobs in Argentina's crisis-ridden provinces to seek opportunities in the big urban centres. Of the 12m people living in greater Buenos Aires, for example, only 4 per cent are from neighbouring countries, while 20 per cent are from elsewhere in Argentina.

More worrying than the supposed flood of immigrants, says Ms Montoya, has been the escalation of black-market employment, which now accounts for more than a third of total jobs.

Employers, forced to pay high taxes and social security contributions for their regular workforce, often prefer to hire under the table. In the absence of policies making it cheaper to employ workers legally, higher fines and prison sentences are unlikely to deter the employment of black-market labour, she says.

Ironically, levels of migration to Argentina may actually have dropped since the 1970s, says Ms Montoya, as a result of Argentina's economic crisis in the 1980s.

### Steep learning curve for Brazil

Angus Foster on the battle to improve the country's school system

**M**r Paul Renato, Brazil's education minister, is in possession of some alarming statistics. For example, fewer than half the country's children complete eight years of primary schooling. Some teachers are illiterate. And nearly 20m adults cannot read or write.

To tackle these problems, Mr Renato is proposing an overhaul of Brazil's primary education system to improve standards. The idea has been welcomed by many experts, but they agree the task is daunting and will take years to complete.

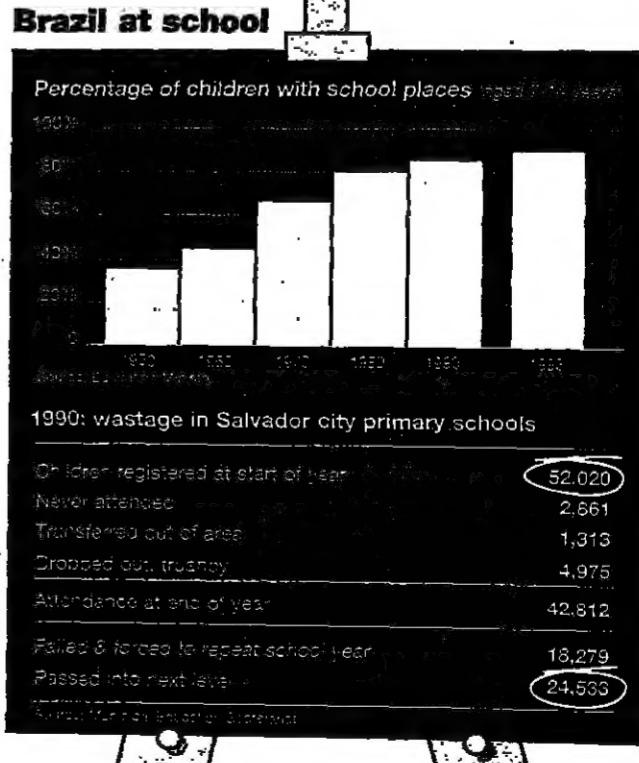
Brazil's poor basic education record is blamed partly on past governments, which subsidised universities for the children of the wealthy and left states and municipalities in charge of primary and secondary schooling. But local politicians often treated schools as sources of jobs and contracts for supporters, leading to corruption and waste.

Enrolment increased sharply in the last decades, but schools failed to improve standards and teaching quality often remained poor. For example, there is so much repetition of academic years, usually the fault of bad teachers, that the average child takes 12 years to complete the eight-year primary education.

Mr Renato's proposals, which are under discussion in Congress, have four main goals. They aim to increase overall spending on primary education by about 10 per cent, move schools to 60 per cent of the education budget. Money would be reallocated from rich areas with few students to poor areas with many.

States and municipalities would be guaranteed an annual minimum of \$200 a student, deemed adequate for a reasonable basic education. Finally, a fixed amount of spending would be reserved for teachers' salaries to raise standards and reduce local politicians' control.

**Brazil at school**



The proposals are far from revolutionary, but they are likely to face opposition. University heads worry their already strapped budgets will soon be cut. Mr Renato, himself a former rector of a leading São Paulo university, says spending will not fall but "universities are not the priority at the moment".

There could also be complaints from states, whose support is vital for the reforms to work. Mr Edison Souto Freire, education secretary for the northern state of Bahia, says there is too little emphasis in Brazil on teacher training and re-training, especially in big cities with their characteristic social problems.

Raising teaching standards, although difficult to achieve quickly, would solve other problems too. According to some estimates, about 2m chil-

dren aged 7-14 are not attending school. Ms Silva says the figure for the Salvador area is about 100,000, mainly because of a shortage of school places. If teaching standards improve, fewer children would have to repeat school years, and more places would become available. "You don't need to build new schools, just reduce repetition," she says.

Mr Renato admits his proposals will not yield speedy results, and other changes are important to streamline a national curriculum and introduce school assessment and teacher training via a nationwide satellite television network.

"We know that if all this works, after 10 years primary education won't be a problem any more," he says.

Unfortunately for Mr Renato, there will still be plenty of other priorities. Brazil's secondary schooling has been neglected and only one in three Brazilians enters secondary school.

Business leaders, increasingly trying to compete internationally, express serious concerns about the country's potential skills shortage, especially when some Asian competitors send more than 90 per cent of their children to secondary school.

Among optimists, there is hope that the old habits of the past cannot survive much longer. Political interference in local schools, and education's contribution to Brazil's huge gap between rich and poor, should slowly decline as more people learn to demand education as a right.

Mr Renato hopes his reforms speed up the process. "States and municipalities need to adopt education as a priority. We need to make education a great priority for the country, not just the government," he says.

The fact education is not yet a priority, and that Mr Renato has to make such a statement, shows how much remains to be done.

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PERSONAL

## NEWS: INTERNATIONAL

British groups co-operate with US government agency in developing products to wean users off cocaine and heroin

## Search stepped up for safe drugs to treat addicts

By Clive Cookson in Baltimore

**R**ight drugs with drugs. That is the message from addiction specialists to the American Association for the Advancement of Science meeting in Baltimore yesterday.

Scientists funded by the US government's National Institute for Drug Abuse (Nida) reported several successes in developing safe drugs to wean addicts off heroin and cocaine.

There is even an experimental vaccine that immunises lab-

oratory rats against the stimulating effects of cocaine. Dr George Koob and colleagues at the Scripps Research Institute in California vaccinated the animals with a substance that triggers the body to produce "antibodies" against cocaine. The antibodies act as biological sponges to soak up cocaine in the bloodstream and reduce the amount reaching the brain.

The US drive to develop anti-addiction drugs started when Nida set up its medications development division in 1990.

Until then neither the pharmaceuticals industry nor government agencies had taken much interest in the field.

Dr Charles Grudzinskas, director of the division, said Nida's \$500m (£325m) a year budget accounted for 85 per cent of the world's spending on research into drug addiction.

There had been much scientific progress in the past five years, he said, as well as frustration over the continuing reluctance of pharmaceutical companies to become involved

in what they saw as a high risk, low reward market sector.

Two of the three companies which Dr Grudzinskas said were co-operating with Nida are based in Britain: Reckitt & Colman and Britannia Pharmaceuticals. The third is Algos, a New Jersey biotechnology company.

Further advanced is the Reckitt & Colman project to develop buprenorphine, a painkiller, for use against addiction. Trials show it to be a promising alternative to

methadone, a highly regulated opiate used as a heroin substitute for more than 30 years.

"This would enable physicians in the US to treat addiction for the first time like any other medical problem," said Mr Charles O'Keefe, president of Reckitt & Colman's US pharmaceuticals subsidiary.

Nida is also working with Britannia, a subsidiary of the Japanese Ajinomoto group, on US trials of lofexidine, a drug licensed three years ago in the UK to relieve the symptoms of

heroin withdrawal. Lofexidine was used in 10,000 detoxifications in the UK last year, said Mr Derek Woodcock, the company's technical director. "It does not remove the craving but it dampens down the symptoms of withdrawal: the sweating, nausea and cramps."

The only other licensed treatment for heroin addiction is a long-acting drug called LAAM, whose advantage is that it need be taken only three times a week. The US Food and Drug Administration

approved LAAM in 1993 but, to Dr Grudzinskas's disappointment, it is not widely available because individual state regulations do not permit its use.

However, no treatment will work on people who refuse to be cured of their addiction, the scientists warned. "Even a vaccine against cocaine will be an impediment rather than an absolute cure," Dr Koob said. "If you have enough money [to buy huge quantities of cocaine] you will be able to overcome the effects of any treatment."

## Cave life revealed in Romania

By Clive Cookson

The Rip van Winkle of ecology, an underground cave system cut off from the rest of the world for 5m years, has been discovered in Romania.

The creatures in Movile Cave – bacteria, fungi and invertebrate animals such as spiders, insects, leeches and water scorpions – have a food chain completely independent of the outside world. All their energy comes from the oxidation of hydrogen sulphide gas dissolved in the groundwater.

Movile was first explored in 1986 but its unique scientific features have only just been discovered by a team of Romanian and American researchers. Mr Serban Sarbu of the University of Cincinnati described them yesterday to the American Association for the Advancement of Science in Baltimore.

Thirty-one species new to science have already been identified. They form the first known subterranean ecosystem that does not depend ultimately on the sun for its food and energy needs.

Geologists believe Movile formed when the level of the Black Sea dropped suddenly 5.5m years ago.

## South Africa misses target for budget deficit

By Roger Matthews

The South Africa government has failed to meet its target for the reduction of the budget deficit in the financial year which ends on March 31, but believes its international reputation for fiscal discipline will not be damaged.

Mr Chris Liebenberg, the minister of finance, told parliament yesterday the deficit would be R30.1bn (£5.4bn), 6 per cent of gross domestic product, against the budget

target of 5.8 per cent. Mr Liebenberg said the government remained on course to reach its target deficit of 4.5 per cent of GDP in 1995. "With three years still to go, I know this will not be a problem," he said.

In seeking additional funds from parliament, Mr Liebenberg said a R1bn transitional reserve was needed to meet expected but as yet unquantified expenditure by the nine provincial governments.

The minister, speaking to reporters at the start of the new parliamentary session,

emphasised the problem, mainly related to welfare payments, had arisen because of insufficient data available to provincial governments, not because of a lack of fiscal discipline. "Generally the provincial governments have done a tremendous job," he said. "But we want to be able to respond to any cash flow problems they might have at the end of the financial year. Hopefully, not all the extra R1bn will be required."

Despite pressure for increased government spend-

ing, Mr Liebenberg is expected to announce a more ambitious target for the reduction in the deficit, perhaps to 5 per cent of GDP, when he unveils his next budget on March 13.

The urgent need to cut government borrowing was stressed by Mr Chris Stals, the governor of the Reserve Bank. He said the low level of saving was one of the most important structural deficiencies in the economy.

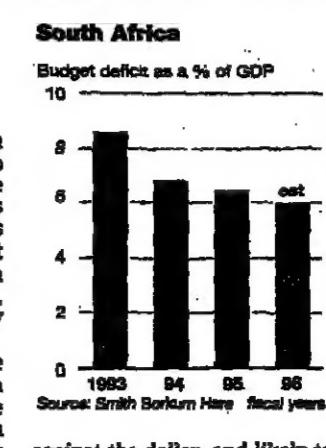
During the first nine months of last year, gross domestic saving as a percentage of GDP

had fallen from 17.2 per cent to 16.7 per cent.

Mr Stals said that savings would have to reach 25 per cent of GDP if the government was to achieve 5 per cent annual growth in the economy, the minimum sustained level needed to prevent a further rise in unemployment, already more than 33 per cent of the workforce. He believed growth last year was likely to have been about 3.3 per cent, and a further small rise was probable this year.

Mr Liebenberg and Mr Stals both echoed President Nelson Mandela's pledge last week to remove all foreign exchange controls as soon as conditions allowed. A further relaxation is thought to be imminent, but Mr Stals said that although reserves had risen to R18.3bn, this represented cover for only seven weeks' imports.

Mr Stals said the Reserve Bank also wished to prevent a further appreciation of the rand which, according to an assessment released today by the Union Bank of Switzerland, is overvalued by 7.10 per cent against the dollar, and likely to continue appreciating this year.



## Zaire signals move to expel Rwanda exiles

By Michael Wrong  
in Goma, Zaire

Zaire yesterday sent troops to seal off the second-largest Rwandan refugee camp on its territory and "encourage" a voluntary repatriation, signalling that after 18 months its patience with more than 1m Hutus who fled the fall of Kigali in 1994 was at an end.

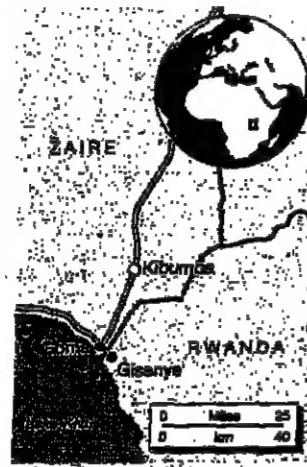
In a pre-dawn swoop, Zairian soldiers fanned out along the road fringing Kibumba, a camp of 180,000 refugees north of Goma, stationing themselves at 100m intervals. Watched by hundreds of refugees, a United Nations-funded contingent of elite troops responsible for camp security simultaneously infiltrated the camp itself.

The operation is the first stage of a government plan to close 42 camps set up when it forcibly expelled 15,000 refugees last August. Zaire has this time been careful to stay within the letter of the law while making it clear to the refugees that their time is up.

Soldiers have orders to prevent the refugees, many of whom supplement rations by working in Goma or tilling nearby fields, from leaving Kibumba and to close down the unlicensed shops, restaurants, bars and markets that operate there.

"The aim is to put an end to the sense that these are flourishing cities with their own lives and bring home the fact that they are refugees who must obey Zairian law," said Mr Peter Kessler, spokesman for the UN High Commissioner for Refugees (UNHCR).

Vocal in condemning Zaire



in August, the UNHCR is backing the latest plan, while insisting it cannot be party to a forcible repatriation. But the operation already looks in danger of blurring the line between voluntary return and expulsion. The stationing of Zairian troops, notoriously indiscriminately, is clearly intended to scare the refugees. Camp leaders have been told in no uncertain terms that donor funds are drying up.

"They tell us it is a voluntary repatriation but really it is going to be forced, because the soldiers are going to enter the camps," said Mr Hermann Twamjamohoro, head of one of Kibumba's districts.

The UNHCR's stance is a reflection of some hard financial facts and declining international tolerance for the refugees' presence, seen as providing a cover for the growing number of infiltrations into Rwanda by militia men and former government soldiers.

Having appealed for \$28m in funds for 1996, the agency has only received a pledge of \$1m from Norway and officials say it functions on a hand-to-mouth basis. Meanwhile, 30-40,000 refugee births are being registered a year in Goma, more than the numbers returning.

## CompuServe puts back Internet link

CompuServe, the US-based consumer online information service, said yesterday it had reinstated access to all but five message-posting areas of the Internet that it cut off under an investigation of online pornography by the German government, Reuters reports from Columbus.

The company also said it would offer a parental control program to enable users of its online service anywhere in the world to restrict access to questionable discussion areas, known as newsgroups.

Access was cut off in December to 200 newsgroups – computer forums where users can post messages for all to see, including text and material that can be converted to both pictures and sound.

The action was taken after German prosecutors notified the Columbus-based company it was investigating distributors of sexually explicit material on the Internet. State prosecutors in Bavaria had advised

CompuServe it could face charges.

Since CompuServe lacks the technology to block access in a specific geographic location, it was suspended for all 4.7m users worldwide. The decision to deny access to Internet forums led to accusations of censorship.

"Combining parental controls with lifting the newsgroup suspension reaffirms our commitment to online safety for families and our position that responsibility for Internet content lies with those who create it or put it on the Internet, not with the access provider," Mr Bob Massey, CompuServe's president and chief executive officer, said yesterday.

The five newsgroups that will remain inaccessible contain explicit child pornography material, company spokesman Jeff Shafer said. He did not know how long the suspension would remain in effect and did not identify the five.

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## NEWS: ASIA-PACIFIC

# Port sale first in Australia

By Nikki Tait in Sydney

A consortium of New Zealand and Australian interests yesterday emerged as the buyers of the port of Portland in south-west Victoria, the first time an entire Australian port has been sold into private hands.

The new owner is a 50:50 joint venture between the Scott Company, an Australian transport group, and Infratil Australia, a newly-established infrastructure investment fund. The fund is managed by Morrison and Co, an Australasian investment banking organisation.

The joint venturers, which are buying the five common-user berths plus the berth for the neighbouring Portland Aluminium smelter, will pay A\$30m (\$14.8m).

According to the Victorian state government, they have also undertaken to cut usage charges at the port by 20 per cent over four years, "to ensure the benefits of private-sector efficiencies are passed on to users".

The underwater assets at the port will remain in state ownership, as will parks and

## NZ air accord may be revived

By Nikki Tait in Sydney

Efforts to establish a single aviation market between Australia and New Zealand will be resurrected if Australia's opposition coalition wins the federal election scheduled for March 2.

The opposition, which comprises the Liberal and National parties, said yesterday that it would resume negotiations with the Wellington government if it gained office.

The Labor government had originally aimed to set up an "open skies" arrangement with New Zealand. However, in late-1994, it rescinded Air New Zealand's right to fly domestic routes within Australia shortly before this was due to come into effect. The official explanation for this centred around a failure to agree on customs procedures, but many observers believed Canberra was anxious to protect Qantas from extra competition, before the privatisation of the Australian carrier.

More recently, however, the issue of a single trans-Tasman aviation market has been complicated by Air New Zealand's proposed purchase of up to 50 per cent of Ansett, the second Australian carrier.

It is unclear what implications this transaction - assuming it overcomes objections from New Zealand's domestic competition authorities - might have for the international regulatory framework.

Separately, the coalition promised yesterday to maintain Australia's defence expenditure at current level. However, it claimed that A\$1.5bn (\$60m) a year could be saved from reductions in running costs, and a further A\$1.25bn in both 1997-98 and 1998-99 from the phasing-out of Australia's army reserve.

These savings would fund new commitments - a reallocation which Senator Robert Ray, the defence minister, described as a "very backward step". See International Company News

# Wife of North Korean leader may have fled

By Jack Burton in Seoul

South Korea was trying yesterday to find the first wife of North Korean leader Kim Jong-il, to persuade her to seek asylum after she was reported to have gone into hiding in western Europe.

Ms Song Hye-rim, Mr Kim's former common-law wife and mother of his eldest son, would be one of the biggest propaganda catches yet for South Korea among the growing number of North Korean defectors. Ms Song had been living in Moscow for 13 years after being dropped by North Korea's Dear Leader.

The steady stream of defectors has not yet reached the proportions of the East German exodus in the summer of



Kim Jong-il's first wife, Song Hye-rim, in her 20s.

1989 that signalled the end of communist eastern Europe. But numbers are increasing as economic conditions in North Korea deteriorate. Some 200 are said to have fled to South Korea in the past two years.

Members of the privileged

elite are beginning to join the exodus, which used to consist mainly of disgruntled workers who slipped across the North Korean-Chinese border or were employed as loggers in Siberia.

Most of the new crop were already abroad in diplomatic and business posts making it easier for them to defect. Three members of the North Korean embassy in Zambia fled to South Korea last month and held a televised news conference yesterday. A London-based foreign exchange dealer for a North Korean trading company arrived in Seoul in December.

The defectors' tales are proving a goldmine for the South Korean intelligence agency. But what they say in public appears to be of more doubtful

quality. In news conferences, their answers tend to be carefully coached to score propaganda points for South Korea in its feud with the North.

One case involved a defected North Korean truck driver with a suspiciously detailed knowledge of his country's nuclear weapons programme when he met the press at the height of the North-South nuclear dispute several years ago.

One defected army captain had only one sentence of English: "We are not defectors, we are freedom fighters."

"These are usually people who have got into the trouble up north and will now do anything to please the authorities in the south," one US official in Seoul said.

When they first arrive, they receive star treatment. Their initial appearance before the media is usually broadcast live. Some subsequently have difficulty adjusting to the free-wheeling capitalism of South Korea. One former defector, apparently homesick, was caught last week trying to slip aboard a ship in an attempt to return to North Korea.

So far South Korea has been delighted to welcome defectors, but Seoul worries they may soon be joined by a flood of refugees seeking to escape famine in the North. They could pose a difficult social problem. Being poor and unskilled, they might become a burden for the state.

South Koreans are praying they stay at home.

## Media reports of drink's benefits prompt a wave of frantic buying

# Japan takes to cocoa for health

By Emiko Terazono in Tokyo

Japanese consumers usually embrace the annual rush for St Valentine's Day confectionery with vigour, but this year they are buying cocoa instead of chocolates.

Japanese retailers are facing frantic buying of the product by housewives after media reports extolled the health benefits of the beverage.

The rush for cocoa started last December after a television report that the product reduced cholesterol in blood vessels and was effective in preventing gastric ulcers. The report was based on a seminar given by the Chocolate and Cocoa Association of Japan, but medical experts remain non-committal about the benefits, especially when sugar is added to the cocoa.

Morinaga, a chocolate maker with 70 per cent of the market

share for cocoa in Japan, says its products are disappearing from shelves the moment they are delivered to retailers. Meiji Seika, another confectionery maker, has had to print an apology in newspapers for

being unable to meet demand. Morinaga says it is doubling production at its cocoa plants, and has been operating manufacturing lines at full capacity around the clock since mid-December.

Some analysts are sceptical that the boom will last, especially since cocoa is a winter drink. But Morinaga retorts that cocoa is "good to drink in the summer as well, if you have it iced like tea".

The increase in production has its limits. Since cocoa is made from pulverising the cacao bean and removing cacao butter, which is then made into chocolate, its production cannot be greatly boosted without increasing the amount of chocolate manufactured at the same time.

Yet the industry hopes that the Y10bn (\$5bn) cocoa market will double this year.

A cocoa boom has hit the financial markets, with prices for stocks in the country's cocoa makers surging. Morinaga has risen 13.6 per cent from the beginning of the year. Meiji Seika by 5.7 per cent.

Some analysts are sceptical that the boom will last, especially since cocoa is a winter drink. But Morinaga retorts that cocoa is "good to drink in the summer as well, if you have it iced like tea".

# Bangladesh party talks proposed

By Mark Nicholson in Dhaka

Mrs Khaleda Zia, Bangladesh's prime minister, yesterday offered to reopen, after tomorrow's general elections, negotiations with opposition parties boycotting the poll, with the aim of holding a second, fully-contested vote.

But she also threatened to shed the government's present "restraint" if opposition parties continued "illegal" anti-government strikes and street protests.

"We are not taking action because we would like the election to come through," she said. "But if they continue to do illegal acts, then the law of the land will apply after the election."

However, Sheikh Hasina, leader of the opposition Awami League which is heading the protests, apparently rejected offers of compromise, calling Mrs Zia "intransigent" and "insincere".

She told reporters: "If she really wants negotiations she

will have to cancel the elections and step down."

Opposition determination to resist the election is expected to lead, in cities and some rural areas, to violent clashes tomorrow, when tens of thousands of police and paramilitary forces will be deployed at more than 21,000 voting stations.

An opposition-led road, rail and ferry blockade yesterday virtually cleared Dhaka's streets of motorised vehicles, while police reported sporadic home-made bomb attacks in the city.

Sixteen people have died, including three police officers,

and hundreds have been injured in clashes in the run up to the polls. Security forces have also arrested more than 15,000 people over the past few weeks in what the government says is a drive against illegal arms.

Mrs Zia issued her combined offer and threat in a rare meeting with foreign journalists. She claimed that negotiations with Bangladesh's three main opposition parties had been only "temporarily suspended" for the election, which she was "constitutionally obliged" to hold despite the boycott by the Awami League, the Jatiya Party and the Jamaat-i-Islami.

# Philippines reform consensus crippled by the pain of change

Opposition politics looks set to interfere with Ramos's economic agenda, writes Edward Luce

## Philippines: 'all roads lead from tax reform'

Savings/investment gap as a % of GNP

Investment

Savings

Tax revenues compared 1984 as a % of GDP

Source: Crosby Securities

1988 89 90 91 92 93 94

25

20

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Philippines Thailand Indonesia Singapore Malaysia

Source: Crosby Securities

1988 89 90 91 92 93 94

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Philippines Thailand Indonesia Singapore Malaysia

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## NEWS: WORLD TRADE

**Hyundai moves into aircraft business**

By John Burton in Seoul

Hyundai of South Korea is to enter the aircraft industry by producing wings for the McDonnell Douglas MD95 100-seat airliner in a \$1.1bn deal.

The move reflects intense competition with its main Korean industrial rival, Samsung, which also has aerospace ambitions and recently expressed interest in the troubled Dutch aircraft company.

Samsung and Hyundai are part of a Korean consortium to develop and build a regional

100-seat jet airliner with China, but that project is under threat because of serious differences between the two countries' governments.

Analysts believe the possible collapse of that project is responsible for Hyundai's interest in producing wings for the MD95. Samsung might then try to build a 100-seat airliner independently, using Fokker technology and manufacturing equipment.

Korean Air, the country's biggest carrier and another partner in the Sino-Korean aircraft project, has already

agreed to produce nose sections for the MD95 in a \$50m deal.

Hyundai takes over the production of MD95 wings from the Hally group, whose chairman is the brother of Hyundai's founder. Hally signed an agreement with McDonnell Douglas in 1994 to make the wings but decided to drop out of the project, Hyundai says.

Hyundai plans to build a \$1.5bn aerospace factory in South Korea and start producing the wings in the second half of next year. The project will be managed by a new subsidiary, Hyundai Space & Aircraft.

Mr Kim Yong-nam, president of that subsidiary, said Hyundai would be only the fifth company in the world to produce wings for mid- or large-sized aircraft, while its aerospace complex would be the largest in Asia.

Hyundai also is hoping to develop a 30-seat aircraft and medium-sized helicopters, while establishing a joint venture with Pemco of the US for aircraft maintenance and overhaul business.

The MD95 wing programme

is the second aerospace contract announced by Hyundai in a month. It will also become the first South Korean company to assemble satellites in a joint venture with US and Italian partners by producing 26 satellites for the Globalstar network.

Hyundai Electronics will invest \$150m for research and assembly facilities to supply the satellites between 1998 and 2005. It is also expected to participate later in the assembly of larger geostationary-orbit satellites for Globalstar, in which it holds a 5.3 per cent stake.

the US and Alenia Spazio of Italy, Hyundai Electronics will supply a quarter of the satellites for the Globalstar network, which will provide telecommunications services using small satellites in low earth orbit.

Hyundai Electronics will invest \$150m for research and assembly facilities to supply the satellites between 1998 and 2005. It is also expected to participate later in the assembly of larger geostationary-orbit satellites for Globalstar, in which it holds a 5.3 per cent stake.

## WORLD TRADE NEWS DIGEST

**TWA to buy US aircraft**

Trans World Airlines, which emerged from Chapter 11 bankruptcy protection in August, is to acquire 20 new Boeing 757-200s powered by Pratt & Whitney engines. TWA will buy 10 aircraft directly from Boeing and lease the others from International Lease Finance Corporation. TWA has options on another 20 Boeing 757s.

The first 757 will be delivered in July, with two further deliveries scheduled in 1996. Boeing is to provide "backstop financing". This means Boeing and Pratt will help finance the purchase if TWA cannot get better terms on the open market.

*Michael Skapinker, Aerospace Correspondent*

**Vietnam admits foreign lawyers**

Vietnam, which seven months ago banned foreign lawyers from practising Vietnamese law, yesterday settled the status of 14 foreign firms by awarding them branch licences.

Branch status means that foreign lawyers no longer have to rely on billing clients offshore.

But a requirement that they pay tax on their earnings in Vietnam, and what is likely to be time consuming liaison with their consultancy partners, could lead to a rise in their fees.

The licences allow one branch in Vietnam, but firms which already have operations in Hanoi and Ho Chi Minh City are expected to be given permission to open a second shortly.

Foreign law firms started arriving in Vietnam in 1992 but the scope of their activities was vague until July last year, when Hanoi restricted them to advising on international law and required them to reapply for branch status. About 15 other foreign firms are expected to receive branch status next month.

*Jeremy Grant, Hanoi*

**Venezuela urged to lift controls**

The World Trade Organisation yesterday urged Venezuela to scrap exchange controls and move forward with its economic reform programme.

Reviewing a report on Venezuela's trade policies, WTO trading partners said the exchange controls, introduced in mid-1994, were damaging foreign investment, capital inflows and trade.

However, Venezuela was commended for trying to maintain a liberal trade regime while trying to reduce rampant inflation and a stubborn budget deficit.

The WTO report says Venezuela's most pressing need is to overcome its macro-economic problems but it also needs to advance its trade reform programme. The economy is still heavily dependent on oil exports and revenues, which support extensive state involvement, while domestic industry benefits from cheap and abundant fuel.

*Frances Williams, Geneva*

■ Renault has signed an agreement to deliver 40,000 engines a year to Moskitch of Russia. The two-tire engine will be used in a new model to be launched by the Russian carmaker this year. The contract is to be financed under a Franco-Russian credit line.

*Reuter, Paris*

■ Bull of France has won a FF1250m (\$40m) contract from the Russian tax authorities to install a computer network covering Moscow and almost 100 other cities.

*AFX, Paris*

■ ValuJet Airlines of the US has agreed to buy 11 second-hand McDonnell Douglas aircraft from various airlines. The nine DC-9-30s and two MD-80s, to be delivered by April next year, will increase ValuJet's fleet from 47 to 58.

*Reuter, Atlanta*

**US threatens Manila over piracy**

By Edward Luce in Manila

The US has threatened to scrap trade privileges unless the Philippines Congress passes laws to protect intellectual property rights, a Philippines official said yesterday.

Legislation to protect US companies from widespread copyright and software violations in the Philippines was supposed to have been enacted last year.

US trade officials have warned that Philippine products could lose their US generalised system of preferences

treatment, giving them tariff-free access to the North American market. The US government estimates that intellectual piracy in the Philippines costs US companies \$12bn a year.

"Until two years ago even Philippine government departments were using pirated software in their computer systems," a senior US official said yesterday. "Compliance since then has markedly improved but US businesses estimate that over 90 per cent of computer software in the World Trade Organisation to comply with international

norms by the year 2000. US companies, including Microsoft, which recently signed a two-year agreement to supply software to the department of trade and industry in Manila (a former violator), say that the pirating of US products in the Philippines remains rampant.

Products widely copied in the Philippines include Levi jeans, Disney toys and Rayban sunglasses. US businesses say that failure to act swiftly could deter further overseas investment in the Philippines.

**International conference to be called on Internet copyright**

By Frances Williams in Geneva

An international treaty to protect intellectual property from cyberspace pirates is on course for completion by the end of this year, in a move that negotiators hope will spur the development of the global information superhighway by encouraging authors, record producers and performers to allow electronic transmission of their work.

Though many of the technical problems of enforcing copyright protection on the electronic highway are immense. With digital communications, for example, anyone with a suitable computer can download a copy of a film or sound recording, and re-trans-

mit perfect copies all over the world at the push of a button.

The treaty is being negotiated under the auspices of the Geneva-based World Intellectual Property Organisation, which administers the Berne convention and other intellectual property accords. Negotiators have decided that talks had made sufficient progress to call a conference in December to initial the new agreement.

Officials admit that the technical details remain to be settled, the accord would extend copyright protection under the Berne convention to material transmitted over the Internet and other computer networks. Copyright laws in many coun-

tries at present only apply to hard copies of protected works.

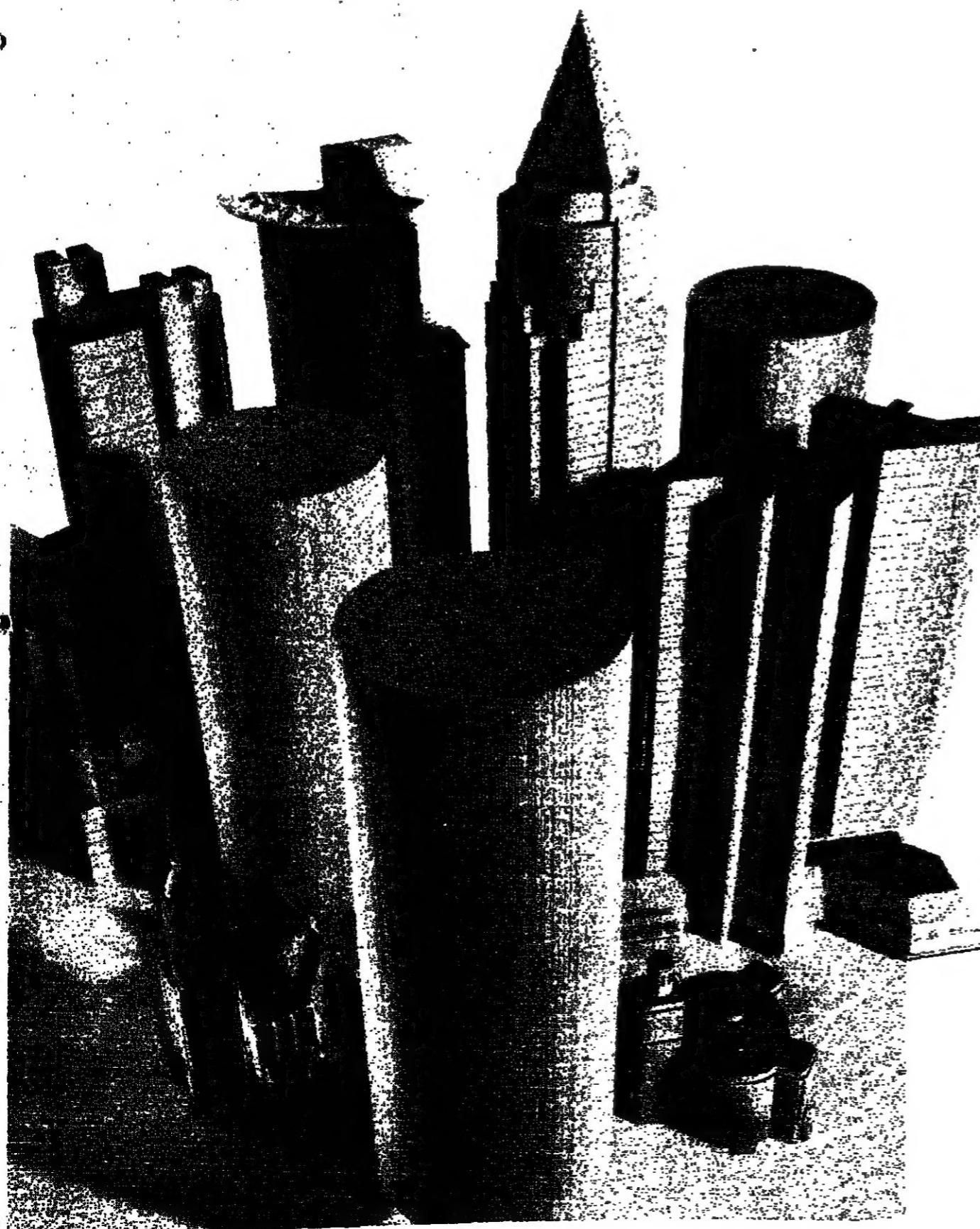
In the future, enforcement is likely to be aided by encryption technology that identifies copyright holders and royalties due, and restricts the number of copies that can be made from any original or prevents the copying of copies. In a move to pre-empt the development of encryption-removal devices, the new treaty is likely to make them illegal.

Questions still outstanding include the treatment of digital broadcasting, as opposed to on-demand services, and exceptions for libraries and others which have special privileges in existing copyright law.



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## NEWS: UK

After the bomb: Dublin government seeks Dayton-style talks to rescue peace process

## Irish PM ready to debate election plan

By John Kampfner and Robert Peston at Westminster

Mr John Bruton, the Irish prime minister, confirmed yesterday that he was ready to talk to Mr John Major, his UK counterpart, about Britain's proposal for elections for Northern Ireland.

Speaking in the parliament of the Republic of Ireland about the repercussions of the Irish Republican Army's bombing in east London last Friday, Mr Bruton said the two premiers were in contact to work out specific measures to keep the peace process alive.

He made clear, however, that any elections in the north should be preceded by preparatory "proximity talks", modelled on the US brokerage in Dayton, Ohio, of a peace accord for Bosnia. Such talks should involve all Northern Ireland parties.

Elections, Mr Bruton added, would have to lead directly and speedily to all-party negotiations on a constitutional settlement for the north, a point accepted by

the British government. Mr Major and Mr Bruton are expected to meet in London next week, with pressure growing on both governments to respond to the crisis by merging their respective plans.

Mr Bruton assured the parliament: "The British Prime Minister has said that his mind is not closed; nor is mine."

The British and Irish governments are understood to have discussed intensifying security in counties just inside the Irish republic, where the Irish Republican Army is believed to have been carrying out tests on explosives in recent months.

Irish politicians united in their condemnation of the London bombing in which two people were killed and 100 injured. Mr Dick Spring, deputy prime minister, called it "one of the darkest days in Irish history".

In a television broadcast, Mr Tony Blair, the British Labour party's leader, described the bombing as a "vicious and evil act". He also reiterated amid signs of tension in the

parliamentary party, extending to the front bench, about his approach to Ireland - that he would continue to work with the British government and "put peace above party politics".

Mr Bruton reiterated he could no longer meet Mr Gerry Adams or other Sinn Féin leaders until the IRA restored its ceasefire. But he said he was willing to authorise "a face-to-face meeting at official level" with Sinn Féin.

Mr Albert Reynolds, the former prime minister from the opposition Fianna Fail party, yesterday became the first senior politician to meet Mr Adams following the London bombing. Mr Bertie Ahern, Mr Reynolds' successor as Fianna Fail leader, accused the British government and British opposition parties of "seriously mishandling" the peace process.

"If Sinn Féin and the IRA have severe credibility problems in the light of commitments they have made, so too, unfortunately, do the British government," Mr Ahern said.



The Reverend Ian Paisley (left), leader of the hardline anti-nationalist Democratic Unionist party, leaves the prime minister's residence at 10 Downing Street in London after discussing elections and tighter security in Northern Ireland. With Mr Paisley is Peter Robinson, deputy leader of the party

## Parties in republic unite to condemn IRA

By John Murray Brown  
in Dublin

Political parties in the Republic of Ireland yesterday joined forces in condemning the Irish Republican Army as Mr John Bruton, the prime minister, said he would discuss the British proposal for elections in Northern Ireland.

Mr Bruton said his government's act of faith had been "thrown back" in his face by the IRA bomb in London last week. He was speaking at the start of a two-day special debate in the Irish parliament on the crisis in the peace process.

Mr Dick Spring, the deputy prime minister, said the people of Ireland were "tired of wars" and that "violence begets only violence - we demand peace."

Almost the strongest words

of condemnation for the IRA were voiced by Mr Bertie Ahern, the leader of Fianna Fail, the main opposition party. As the guardian of constitutional republicanism, Fianna Fail is seen to enjoy special relations with Sinn Féin, the political wing of the IRA.

The debate was eagerly awaited for Dublin's responses

to Mr John Major's statement to the House of Commons on Monday that parties would be asked to engage in an election to pave the way for substantive negotiations. But both Mr Bruton and Mr Spring - an architect of the Anglo-Irish relationship - declined to endorse the British premier's talks proposal while applauding the conciliatory tone of his speech.

Mr Bruton said that any election process should follow from proximity talks, involving all the parties getting under one roof to agree the agenda and form for all-party talks. Mr Bruton said he "noted" Mr Major's proposal.

Mr Spring said Mr Major's "clarifications" on the British elections proposal had been "positive and helpful, and will

make it easier for the elective approach to be considered calmly and rationally in the manner we would wish to see."

However, he said any election process would need to be broadly acceptable, have an appropriate mandate and be inside the 3-stranded approach.

The UK is emerging as the leading area of Korean investment in the European Union.

LG's possible expansion into the UK is part of its strategy to establish manufacturing facilities in principal global markets.

Mr Ahern said the bomb had "made the task of those in Sinn Féin who have argued their political cause infinitely more difficult, raising doubts over Sinn Féin's influence or Sinn Féin assurances on the IRA's intentions."

He called last week's London bomb a "provocation to other paramilitaries, which I hope they will firmly resist".

## England may win Korean \$1bn unit

By John Burton in Seoul and Roland Adurham in Cardiff

The LG group of South Korea is considering building a semiconductor and consumer electronics manufacturing complex in Britain at a cost of more than \$1bn.

The project would be the largest Korean investment in the UK, exceeding the \$700m consumer electronics complex that was recently opened by Samsung Electronics in north-east England. A final decision is expected by mid-year, with construction due to begin in late 1996 or early 1997, LG officials said.

The location of the factory complex, which will include production of television picture tubes and air conditioners, has not been decided, although LG has been examining areas in western England and Wales. "We focused at first on Wales, but are now switching our interest to western England," said an LG executive.

LG already produces video recorders and microwave ovens in Newcastle upon Tyne, north-east England, but has ruled out the city for the proposed new unit.

Ireland is also considered a possible choice, although its chances of being selected are rated lower than Britain's.

LG's interest in the UK comes as Mr John Major, the prime minister, prepares to travel to South Korea early next month in a drive to attract more investment.

The UK is emerging as the leading area of Korean investment in the European Union. LG's possible expansion into the UK is part of its strategy to establish manufacturing facilities in principal global markets.

It recently announced that it will soon start building a \$1.5bn semiconductor plant in Malaysia and a \$800m electronics factory in Indonesia.

Wales has just won its first Korean investment with the announcement that Halla will open a plant to manufacture construction equipment.

## UK NEWS DIGEST

## Former Matrix workers may sue government

Former Matrix Churchill employees plan to sue the government for compensation, saying that the machine tool company at the heart of the arms-to-Iraq affair was bankrupted by government intervention.

Former employees expect Sir Richard Scott's report on the affair - due to be presented to parliament tomorrow - to show that the prosecution of the company's management for breaking export guidelines to Iraq was unlawful. The company collapsed after the directors' arrest, leaving more than 550 staff out of work. Sir Richard will judge whether ministers abused their power in allowing the prosecution of Matrix Churchill managers for illegal arms exports to go ahead.

Mr Tony Farrell, a former toolroom fitter at Matrix Churchill who leading the compensation campaign, said: "If the Scott report shows that the government's intervention was wrong - and ministers knew about the export licences - then we will sue for compensation." Mr Farrell said the arrest of three of the company's directors by Customs and Excise officers in October 1990 came a day before the planned signing of a management deal to buy out the company, "saving hundreds of jobs".

• The government has given Sir Richard Scott's report on arms sales to Iraq to a larger group of ministers than originally agreed, facing allegations that those criticised have been given the opportunity to prepare their personal defences. The decision is controversial, given that government officials subject to attack in the report had no similar privilege and opposition leaders have had only minimal access to it. Mr John Major, the prime minister, has made clear that he will stand by ministers criticised by Sir Richard.

Robert Peston, Westminster

## Arms control urged

Independent arms control pressure groups called in London for a European code of conduct on arms exports to curb military sales to repressive regimes. The call for a European standard comes just two days before publication of the Scott report. Saferworld, the British American Security Information Council and the World Development Movement, all arms control groups, proposed that arms control measures should be included in the EU Intergovernmental Conference review of the Maastricht Treaty. The groups want a code of conduct on arms sales which could export to countries with poor human rights records, dictatorial regimes, aggressive military powers and areas of the world with a history of military instability.

Ms Brownen Brady of BASIC said that if the EU and the US both implemented guidelines, 80 per cent of the world's arms exports could be subject to stringent controls.

Bernard Gray, Defence Correspondent

## Acquisitions level rises

### Acquisitions

UK corporate deals

£bn

1992 1993 1994 1995

Source: CBI

Companies outside Britain spent \$4.1bn (\$6.3bn) buying or merging with UK companies in the final three months of last year, official figures showed. It was the highest quarterly level of spending for almost six years. Non-British companies' spending on UK acquisitions in 1995 as a whole was \$11.1bn, the highest total since 1989. More than half of investment in the UK in the final quarter of 1995 was by companies from the US - a switch from the rest of the year when most investment came from the EU.

On UK mergers and acquisitions in the final three months of last year. That lifted spending in 1995 to a record \$23.1bn, the Central Statistical Office said.

But British companies' spending on acquisitions in other countries declined for the fourth successive quarter to £1.6bn. In 1995 spending on such acquisitions by UK companies was \$10.9bn, \$4.2bn lower than in 1994.

• Figures from the Bank of England yesterday showed that British companies raised a net £2.2bn on international capital markets last month, almost double the amount raised in January 1995. Purchases of UK companies were dominated by two large transactions which accounted for 78 per cent of total spending: the purchase by Rhone Poulenc Rorer, the US drugs company, of UK rival Fisons, and the purchase by Southern Company of the US of South Western Electricity.

Graham Bowley, Economics Staff

## Card sales go on rising

### Male and female

Valentine's card sales, million

25 20 15 10 5 0

1990 91 92 93 94 95

Source: Mintel

Sales of St Valentine's day card sales rose to 23m last year, up from 19m in 1993 and 15m in 1990, says Mintel, the market intelligence group. It forecasts strong sales again this year. About £880m (\$1.36bn) was spent on greetings cards of all types last year, with more cards purchased per head of population in the UK than anywhere else. Card buyers are more likely to be female than male, with 17 per cent of men sending greeting cards for a wide range of occasions, not just Christmas and birthdays, compared with 46 per cent of women. Last year 1.5m Christmas cards were sent and 560m birthday cards. Further growth in sales of Valentine's cards could be explained in that in the US it is common for children to send all their classmates' Valentine's cards.

Diane Summers, Marketing Correspondent

Polly Peck Former personal assistant denies handling stolen money

## Nadir aide 'laundered' £400,000

By John Mason,  
Law Courts Correspondent

Mrs Elizabeth Forsyth, the former personal assistant to Mr Asil Nadir, laundered almost £400,000 stolen by the former Polly Peck chairman from the business empire he headed, a jury at the Old Bailey (central criminal court) in London was told yesterday.

Mr Nadir stole the money from the publicly quoted Polly Peck International to pay off large debts run up through his private business activities, the court heard. He used Mrs Forsyth to ensure there was no trace the money belonged to Polly Peck, it was claimed.

Mrs Forsyth faces two

charges alleging she handled stolen money totalling £395,050. She denies both charges.

Opening for the prosecution at the Serious Fraud Office, Mr David Calvert-Smith outlined how under Mr Nadir, Polly Peck grew in the 1980s to become one of the UK's top 100 companies with subsidiaries in the UK, northern Cyprus, the Far East and the USA.

By 1990, Mr Nadir owned 25 per cent of the company - a stake worth some £300m. He retained close personal control over the company, even maintaining the ability to be the sole signatory on Polly Peck cheques of any size, Mr Calvert-Smith said.

Mrs Forsyth had first

encountered Mr Nadir when she was working for Citibank in Mayfair as a personal finance adviser. One of her clients was Mr Nadir. In 1987 the Polly Peck chairman employed her as his personal financial assistant on a salary of £45,000 a year plus expenses, the court heard.

The same year, Mr Nadir set up South Audley Management to control his private business activities. Mrs Forsyth, who was never employed by Polly Peck, became its chairman, Mr Calvert-Smith said.

The thefts were made possible because Mr Nadir had complete personal control of the company's bank accounts, he said. The Polly Peck board was never consulted about the payments, Mr Calvert-Smith said.

THE FOLLOWING SUCCESSFULLY COMPLETED THEIR ASSOCIATE EXAMINATION	
H J D Anderson	Royal London Asset Management
J J M Bailey	Coutts & Co AG
N P Barnes	Prudential Portfolio Managers
M A Barnett	Mercury Asset Management
J H Barrell	Foreign & Colonial Management
S T Beer	Methodist Church Central Finance Board
N M Boucher	MC Securities
R H Brandt	Foreign & Colonial
R A Brook-Pox	Murray Johnstone
D P Clark	VenCay International Fund Managers
F I Condon	ABN AMRO House Givent
S H F Cook	Prudential Corporation
A C Corbett	Salomon Brothers International
P G Cowdry	Pricewaterhouse
L C A Curtis Jenkins	Schroder Investment Management
J G Davidson	Morgan Grenfell & Co
R T Davidson	Murray Johnstone
P Day	NPI
J C De Bruyn	Canada Life Assurance
S C R Donne	Threadneedle Investment Managers
S E Douglass	Scottish Mutual Assurance
C R Dryburgh	Hill Samuel Asset Management
S Duggal	Carrington Pembroke
S J East	Merrill Lynch Asset Management
R C Faile	British Airways Pension
A J M Fenlon	Scottish Amicable Investment Management
P J Finnigan	Mercury Asset Management
R R Foster	Mercury Asset Management
T N Gascoigne	Mercury Asset Management
D L Gillinsky	Rothschild Asset Management
R Goff	Irish Life Assurance
K F Holdane	Rothschild Asset Management
M P Hersee	UBS Asset Management
D M L Higgins	Mercury Asset Management
L J R Holland	Lazard Brothers & Co
M D Hughes	First National Building Society
G Ismail	Bacon & Woodrow
S Kanagarajah	BP Oil International
J C Kirsch	Mercury Asset Management
R J Lake	AXA Equity & Law Investment Management
C L MacDonald	Baring Asset Management
L F Mannion	Abu Dhabi Investment Authority
G E McEwan	Baillie Gifford Overseas
S J Minster	Newton Investment Management
S J Mundon	Newton Investment Management
B Noreika	Stewart Ivory & Co
M O'Brien	Guinness Flight Global Asset Management
C O'Sullivan	KPMG Stokes Kennedy Crowley
R H Pointon	Newton Investment Management
G S Rahman	Baring Asset Management
S Ransey	Charterhouse Tilney Securities
A E Roberts	Godwins
C Rogers	ESB Finance Directorate
B J Seminit	Schroder Investment Management
M J P Seymour	Scottish Widows Investment Management
I Sharman	General Accident Investment Management
F J Small	San Life of Canada Group
B Subjally	Mercury Asset Management
H A Taylor	Royal Insurance Asset Management
J	

## Stealth design would replace Harrier and F-16

# Finless aircraft enters US defence contest

By Bernard Gray,  
Defence Correspondent

McDonnell Douglas and British Aerospace yesterday unveiled their design for the generation of fighter aircraft beyond the Eurofighter. The new design could replace the vertical-take-off Harrier and the Tornado attack aircraft after 2010.

The two companies, working with Northrop Grumman, have produced a radically new design for the fighter which will not have a tail fin. Instead, the aircraft's stability will be controlled by directing the thrust of the engine's exhaust.

Removing the fighter's tail fin cuts the aircraft's radar reflection and so makes it easier to elude enemy defences. The new fighter will also be specially shaped and made of non-reflective materials, like the F-117 stealth fighter used

by US forces in the Gulf War. This will reduce further the new aircraft's radar image.

The design is one entry for the US Joint Advanced Strike Technology programme (JAST). The JAST is intended to find a single aircraft to replace a number of existing machines. Those are the Lockheed Martin F-16 light fighter for the US Air Force, an aircraft-carrier-based fighter for the US Navy to replace the F-14 and F/A-18 and a vertical take-off jet to replace the US Marines AV-8B Harrier jump jets.

Britain is interested in the JAST because it will need a replacement for its F/A-2 Sea Harriers by 2015 if the nation is to continue with aircraft carriers. The JAST is the only programme which could provide the UK with the jump jets it needs for its small carriers.

The UK may also consider the JAST aircraft for a ground-attack replacement for the Royal Air Force Harrier GR7 and Tornado GR4, which can both provide air cover to the battlefield and strike deep behind enemy lines.

However, the UK is also studying a Future Offensive Aircraft with Dassault of France, and this could also take on these strike roles.

Boeing and Lockheed Martin are producing rival designs for the JAST programme, which may have an eventual world market of 3,000 aircraft. Lockheed's entry is based on its new F-22 stealth fighter for the USAF, while Boeing is producing a new design.

The Pentagon is expected to choose two teams for prototypes in October, with the winning aircraft due to be selected in 2001.



An artist's impression of the finless fighter was released in Washington yesterday

## EU sceptics soften stance

By James Harding  
at Westminster

The Eurosceptic right of the governing Conservative party yesterday stepped into line with the party leadership by dropping demands for the government to rule out British participation in a single European currency.

Eight Tory MPs once deprived of the party's whip because of their opposition to its European Union policy said yesterday union would be acceptable if approved by two-thirds of the population in a referendum.

Str Tedd Taylor, one of the most vocal opponents of further integration into the EU, said the modest climbdown from their previously intransigent opposition to a single currency.

Conservative leader John Major, the prime minister, has not ruled out the UK joining a single currency and has left open the possibility of a referendum.

The acceptance of a referendum, albeit one with stiff conditions, signals a return to the government fold for the eight. Despite growing Eurosceptic opposition to a single currency, Mrs Edwina Currie described Sir Tedd and the other rebels as "coming from another planet".

The European movement, unlike the formerly whips, rebels now known as the Group of Eight, supports a limited extension of qualified majority voting and the development of a European foreign and security policy.

## State health service Private finance is injected

# 'Americanisation' row fails to deter entrants

By Mark Sizman in London

The recent announcement that a company with US links has made the shortlist for a contract to build a hospital for the state health service in Scotland has led to outrage in the service and political ructions outside it.

The opposition Labour party has said this could lead eventually to the "Americanisation of our hospitals", bringing with it "all the problems in US health care".

Even if Westminster Healthcare wins the private finance initiative contract for the Stobhill hospital, few observers would expect it to signal any big expansion of non-US operators in the state health service. Westminster is a UK-listed private nursing home operator 41 per cent owned by US-based Tenet HealthCare.

The state service's private finance unit oversees the programme under which companies are invited to design, build, finance and operate projects. The unit says several non-US banks have expressed interest in the finance side of the British government's private finance initiative (PFI). But few international companies have made formal bids for building or management contracts.

Analysts say the focus of any non-US expansion in the healthcare market will continue to be in the independent sector in spite of opportunities raised by PFI.

One long-time observer of the health industry said: "Most of the involvement is likely to be in the private sector, particularly the rapidly expanding area of long-term care provision for the elderly."

That has already started. Apart from Tenet's stake in Westminster, another US company, Sun Healthcare, last year acquired 20 per cent of Ashbourne Homes, one of Westminster's main rivals. That stake was recently increased to

5 per cent with the understanding that there would not be any attempt by Sun at a hostile takeover.

Mr Martin Feeney, Ashbourne group finance director, said many US companies were waiting for the community care legislation of 1998 to bed down before making a move. "I think that more potential American investors will be coming over to the UK and Europe within the next five years," he said. "Their market is much more mature than ours and we offer good investment opportunities."

But interest in the UK healthcare market is not confined to the long-term care sector or US companies. Parkway Holdings, the Singapore-based property company which recently bought Tenet's Asian operations, has started building a heart centre in central London.

According to Mr Peter Temperley, the hospital's director, the decision to expand in the UK was mainly because



# Implats

Impala Platinum Holdings Limited  
(Incorporated in the Republic of South Africa)  
Registration Number 1974/01779/02

## Interim results and declaration of interim dividend

### MAJOR FEATURES

- Attributable income down 27%
- A major furnace failure in August affected recoveries and unit costs.
- Interim dividend down 40%
- On-going weakness in platin prices will impact the second half of the year.
- European Commission is reviewing the merger with WPL/EXP.

### ConsolidATED Income Statement

	5 months to 31 Dec 1995	5 months to 31 Dec 1994	Year to 30 June 1995
(R millions)	(Unaudited)	(Unaudited)	(Audited)
Turnover	1 182.2	1 165.0	2 434.6
Cost of sales	1 046.8	895.0	1 822.9
On-site operations	833.2	756.1	1 548.5
Refining operations	185.7	124.0	257.2
Other costs	51.1	41.4	90.9
(Increase)/decrease in stock	26.8	(37.3)	(13.7)
Income from the supply of metals mined	135.4	270.0	561.7
Expenditure on current productive capacity	37.8	40.5	79.4
Income from platinum mining	97.8	228.5	472.3
Other income	8.1	5.4	18.3
Net financial income	26.7	3.4	17.4
Interest received	50.2	27.5	64.0
Less: interest paid	23.6	24.1	46.6
Income before taxation	132.4	238.3	508.0
Lease consideration, royalties and taxation	19.7	67.0	163.5
Taxation effect of expenditure on future capacity	35.2	57.6	100.4
Income after taxation	77.5	113.7	244.0
Share of net income from associates	16.8	15.3	23.4
Outside shareholders' interest	(1.6)	(0.9)	(3.1)
Attributable income	92.7	128.1	264.3
Extraordinary items	0.0	0.0	(16.3)
Appropriation for expenditure on future productive capacity	72.0	48.2	84.0
Transfer to non-distributable reserves	15.8	15.3	39.7
Distributable income	3.9	64.6	156.9
Dividend declared	18.7	31.1	108.9
Retained income	(14.8)	33.5	48.0
Shares in issue (millions)	62.2	62.2	62.2
Attributable earnings per share (cents)	148	206	425
Dividends per share (cents)	30	50	175

### Review

1 Formal agreements with Lonrho plc in respect of the merger with Western Platinum Limited and Eastern Platinum Limited were approved at a shareholders' meeting on 5 December 1995. On 20 December the Merger Task Force of the European Commission advised that they were unable to give an immediate approval as they wished to understand more fully the market implications of the merger. The transfer of information and discussions are on-going with a final ruling being expected on 5 May 1996.

2 As announced on 7 December 1995, the Safokeng Tribe has issued summons on Impala in pursuit of its long standing disagreement over mining leases. While any legal action will be defended vigorously proceedings are presently suspended following receipt of settlement proposals from the tribe.

3 On 24 August 1995, there was a major failure of the matte and wall of the No 5 Furnace at Mineral Processes. This furnace, installed in 1991, accounts for 80% of Impala's throughput. Repairs took 6 weeks to complete and full production, following the normal gradual heat up, was resumed in late November.

There was a slight impact on underground production as alternative arrangements to stockpile ore and dried concentrate were affected. Concentrator recoveries were more severely affected as the process was altered to minimise the volume of dried concentrate to be stored. Duct losses, not as yet fully quantified, are being experienced in the storage and reclaiming of the dried concentrate. Impala is insured for the direct cost of repairs and for loss of profits. The claim has been accepted by the insurers and a first payment for costs incurred has been received. No payment for loss of revenue has yet been provided for or received.

It is anticipated that stocks of ore and concentrate will have been recovered and processed through to matte by May 1996. Processing through to refined metal will not be completed by the end of the financial year.

4 Metal processed to the concentrate stage and not produced as refined metal during the period, because of the furnace failure, has been deemed as produced and fully costed as such. Supplies to customers of this volume of metal have been met by leasing.

Costs per ounce refined and per kilogram of PGM's in converter matte have been calculated on the same basis.

5 On the above basis production, and therefore sales volumes of all metals except rhodium were marginally lower than the same period last year. Slightly higher real prices received on a year on year basis gave a 1% increase in turnover to R1.18 billion, while gross operating costs were only 2% up. A substantial shift from the temporarily overstocked position of last year to a zero stock position as a result of the furnace failure was a major feature in the 17% increase in the cost of sales.

The resulting decrease in mining income flows through the lease, royalties, tax, and tax effect of capital expenditure to give an attributable income of R52.7 million, a decrease of 27%.

Continued high levels of capital expenditure – particularly on the Enhanced Precious Metals Refinery – and reduced margins have lowered the net cash position from R81 million to R25 million.

Unit costs for the first half of the year, although calculated on the deemed metal produced, were adversely impacted by the metal losses on concentration and smelting. Costs per kilogram of PGM's ex smelter and cents per ounce refined platinum both increased by approximately 15%.

The reversion to normal practices and recoveries following recommissioning of the smelter should see significant improvement in operational performance in the second half of the year and little further rise in unit costs.

6 An interim dividend, at 30 cents per share, 20 cents lower than last year, has been declared. The dividend of R18.7 million represents the dividend payable on the 62.2 million shares currently in issue. The amount that will be payable on the additional shares to be issued on implementation of the merger has been set aside out of distributable reserves.

### Statistics

Free market price index	(S/oz)	588	604	609
Platinum Price achieved	(S/oz)	453	423	435
Sales volume	(000 ozs)	422	499	995
Refined output*	(000 ozs)	491	522	994
Revenue per ounce sold (R/oz)	2 603	2 235	2 447	
Cost per ounce refined*	1 973	1 707	1 816	
Cost per kilogram produced*	(R000/kg)	28.2	24.6	26.8
Exchange rate achieved	(R/\$)	3.64	3.58	3.59
Capital expenditure	(Rm)	145.0	146.3	263.5
Cash and deposits	(Rm)	230.0	384.5	403.7
Less: All borrowings		211.4	302.2	291.3
Net cash		24.6	81.3	112.4

\*Average free market price based on Impala's production.

\*Based on deemed metal produced.

### Abbreviated Consolidated Balance Sheet

	As at 31 Dec 1995	As at 31 Dec 1994	As at 30 June 1995
(R millions)	(Unaudited)	(Unaudited)	(Audited)
Ordinary shareholders' interest	2 995.9	2 818.8	2 886.8
Outside shareholders' interest	128.5	123.8	126.7
Long-term liabilities	211.4	302.2	291.3
Deferred tax	51.6	56.8	54.0
Other long term obligations	81.1	31.5	81.1
Capital employed	3 468.5	3 331.1	3 439.9
Fixed assets	2 617.6	2 436.8	2 513.5
Investments	688.1	626.8	651.3
Net current assets	182.8	267.5	275.1
Current assets	777.8	897.2	1 009.2
Less: Current liabilities	595.0	628.7	734.1
Assets			

## BUSINESS AND THE ENVIRONMENT

More parts of electronic goods will soon be recovered and reused, write Jane Martinson and Andrew Baxter

# New life for old equipment

**W**hen you want to update your personal computer or buy a smaller mobile phone what do you do with the old one? Most people either try to sell it or put it in the garage. Something similar is practised by the commercial sector, although there are signs that this is changing.

Rank Xerox, the office equipment supplier, is among a number of companies which now offer a take-back service for customers. It estimates that 98 per cent of its photocopiers can be recovered and reused.

The move towards recycling and reusing electronic equipment has been driven by a series of legislative proposals in Europe and the US as well as industry's own initiatives.

The arguments for taking back and reusing equipment depend to a large degree on the value of equipment such as photocopiers, with their mix of metals, glass, plastics and high technology, and environmental concerns about dumping it. But perhaps because of the variety of products affected, there is a lack of consensus on the best way to collect equipment and, most important, how collection should be paid for.

The actions of some big manufacturers such as Rank Xerox are not the norm. Using research conducted by Tufts University in the US and anecdotal evidence, Gregory Pitts, director of environmental programmes at the Texas-based Microelectronics and Computer Technology, a research and development consortium, suggests that 75 per cent of all electronic waste is in storage - the equivalent to the domestic garage - while less than 15 per cent goes to landfill sites or incinerators, 7 per cent is resold and 3 per cent is recycled.

At a conference in London last week, hosted by the US embassy, Pitts also produced research from 40 companies in the US which suggested that, on average, 10lbs of waste is created for every 4lbs of electronic product during its life-cycle from the materials used in the manufacture to product packaging.

Almost 100 companies, associations and local authorities heard

that electronic waste is estimated to represent between 1 per cent and 2 per cent of all waste produced in the US and Europe but its impact is potentially much higher. This is true environmentally because of potentially contaminating materials such as lead and mercury, as well as electronic waste.

The Industry Council for Electronic Equipment Recycling, a UK-based lobby group, estimates that the 6m pieces of electronic equipment sent to landfill sites every year could be worth £50m.

However, the value of recovered consumer equipment such as toasters and personal stereos, for example, is not as great as that of personal computers.

Information technology companies such as Rank Xerox tend to

**While industry is concerned that legislation will be too restrictive without adequate research, the thorniest issue is who is to pay for the recycling of the products and how**

have lasting relationships with their customers. Machines in storage on long-term leases and maintenance contracts are common. Collection is easier than for a company trying to recover its personal stereo, for instance.

Seven of the largest cellular phone manufacturers in Europe have seen a need to raise awareness about recycling, however, and have set up a group which aims to conduct a research project in Denmark this summer. The group is keen to raise awareness of the issue among the public and to collect more information, says Clare Pugh, environmental adviser at Motorola, the consumer electronics group which helped sponsor last week's conference.

Draft legislation produced by a

working group on electronic waste is currently being discussed by the European Commission. This document suggests a number of targets based on different sectors. It suggests, for example, that offices and services equipment should contain 20 per cent reused or recycled components by 2000 and 50 per cent by

2010. For consumer electronics and white goods the targets are 10 per cent and 40 per cent respectively. Early this year the Commission is widely expected to put forward legislation on the issue following action already taken by eight members.

While industry is concerned that legislation will be too restrictive without adequate research, the thorniest issue is who is to pay for the recycling of the products and how.

Options include imposing a levy on customers when they dispose of the equipment to pay for collection and recovery. This is opposed by some governments, including the Netherlands, which foresees increased dumping.

The Dutch and Swedish governments appear instead to prefer making it obligatory for companies to take back and recycle the products and pay for it by raising prices. This situation is more problematic when old machines have to be dealt with.

Rod Hunter, a Brussels-based lawyer, has criticised the approach of these governments by pointing out that they will impose "a retrospective liability on established companies that have the misfortune of having sold lots of products over the years".

The issue also has substantial potential for trade disputes, according to Gary Stanley, president of FedCounsel, a US law firm. The biggest dangers are design-based levies which discriminate against foreign manufacturers and restrictions on transportation that could force overseas markets to set up a recycling plant. With the profusion of different products involved and the range of answers proffered there will be no "single solution," he says.

Only a few years ago, says Tony Adderley, general manager of the centre at Byley, "all this used to be dumped in skips". Now the site is one of the few big computer refurbishment, reclaim and recycling

JM



ICL's plant follows the green 'hierarchy' in which refurbishment is the best option

## The recycling shopfloor

**O**n the shopfloor at ICL's computer recycling centre in Cheshire, a worker painstakingly strips out the memory board from an old processor.

Each board is worth about £25 because of the gold in the electrical contacts.

Another worker is removing the steel implants from an aluminium casting used in an old Fujitsu disk drive, already short of its magnet. The purer the scrap, the better price that can be obtained for it.

The centre's role, however, has expanded as ICL's environmental awareness increased. The largest of the company's eight groups of environmental targets involves action to improve "design for dismantling" and for the recycling of products at the end of their lives.

operations in Europe, with nearly 90 workers and a growing list of outside customers.

The Byley plant began life 15 years ago as a collection point for "life-expired" ICL computers, most of which were destined for disposal. They were brought there not for environmental reasons but to protect ICL's intellectual property rights - it did not want third parties to find out how to service them, depriving it of business.

The centre's role, however, has expanded as ICL's environmental awareness increased. The largest of the company's eight groups of environmental targets involves action to improve "design for dismantling" and for the recycling of products at the end of their lives.

Legislation has encouraged ICL to broaden the activity at Byley, says Joy Boyce, corporate environmental affairs manager. The European Union has defined electronics as a "priority waste stream", meaning that targets will be set for recycling and reusing them.

Apart from the UK's own landfill tax, to be introduced on October 1, the EU civil liability directive, currently in draft form, would impose an even stricter regime for equipment producers and consumers than is allowed for under the UK's 1995 Environment Act.

The Byley plant follows the green "hierarchy" in which refurbishment and remanufacturing are seen as the best option. This accounts for 30 per cent of Byley's business, and many of the refurbished, repainted computers are sold to developing nations.

The next best option is reclaiming or stripping out modules such as discs, printed circuit boards and cables, which are used in ICL's worldwide spare parts network. Reclaiming accounts for 50 per cent of the Byley centre's business, with the remaining 30 per cent deriving from recycling as much as possible of what is left.

This began with magnets, VDUs and precious and base metals, and has been expanded to cover, among other things, chips - many of which are sold to the toy industry. Some 20 specialist contractors collect material from the centre.

Mainframes have provided the most lucrative part of the recycling business, as they contain more precious metals. Increasingly, though, Byley is taking personal computers, in line with industry trends.

This has focused ICL's attention on one of the thorniest issues in electronics recycling - the safe disposal of cathode ray tubes.

The glass used in CRTs is coated with a variety of heavy and rare earth metals, including cadmium, which can be carcinogenic. Customers and producers could be held responsible if CRTs were simply dumped on landfill sites.

The meeting will also receive a report on the integration of environmental and economic policies. This will look at the role that taxes can play, the impact on employment of environmental measures, and institutional reform, for example the instillation of greater environmental responsibility in economic ministries.

The OECD is a club of mostly rich countries concerned with industrial issues. But part of the focus of the meeting will be on east Europe for which a special environmental programme has been set up.

## OECD progress review

Once every five years, environment ministers from countries belonging to the Organisation for Economic Co-operation and Development meet in Paris to review progress.

The next gathering, which begins on Monday, will be presented with a report which tells them that progress is being made to improve the state of the environment. But it will also lay down an agenda for further action with the warning that work will have to be intensified just to meet existing policy commitments.

The OECD is not a place where binding international agreements are forged; it is more of a forum where ministers can discuss issues in a wider context. Bill Long, who heads the environment directorate, points out that it provides an opportunity to discuss environment and trade issues together, for example, because of the OECD's strengths in both areas.

Ministers will be reviewing progress in matters such as pollution control, and the integration of policies in areas that affect the environment, notably energy, transport and agriculture.

Looking ahead they will discuss ways that market forces can be made to play a greater role in encouraging sustainable development - and how government itself can become "greener".

The meeting will also receive a report on the integration of environmental and economic policies. This will look at the role that taxes can play, the impact on employment of environmental measures, and institutional reform, for example the instillation of greater environmental responsibility in economic ministries.

The OECD is a club of mostly rich countries concerned with industrial issues. But part of the focus of the meeting will be on east Europe for which a special environmental programme has been set up.

David Lascelles

# International financial news from a European perspective.

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## ARTS

Television/Christopher Dunkley

# More light shed on the news

**T**elevision journalism has changed radically in the past five years, it still changing, and will change more over the next few years. The thought has been brought home forcefully by the way in which television responded to the South Quay bomb and to the imminent appearance of the Scott report.

In daily news the most important change in the last few years has been the opening of 24-hour news channels in both radio and television. Any major news event – ideally a war – is meat and drink to these networks which, during most of their existence, attract attention in a pretty desultory fashion from most viewers.

However, nowadays an event such as the Docklands bomb sends many of us into frenzied button-pushing and dial twiddling as we hunt for Sky News, CNN, Radio 5 Live, and – in the capital – London News Radio. It would be interesting to know what proportion of Londoners joined in this frenzy on Friday evening immediately after hearing and feeling the blast it certainly happened in our household. At such times we do not expect the news networks to seem calm and polished. The important thing is simply that they are there, sticking to the subject, and telling us the moment they hear anything new. Of course, if you are going to operate

as a rip-and-read service it is best to have someone who is good at reading, a point which they might keep in mind at the cable network, Channel 4.

What comes as rather a shock is to find, two hours after the blast, that BBC television's flagship news programme, the *Nine O'Clock News*, looks much the same as the 24-hour channels. Perhaps it is unreasonable, but we do rather expect the big boys (and that also includes ITV's *News At Ten* which, coming on an hour later, did look more smooth and concise) to appear calm and polished. The *Nine O'Clock News* devoted 35 minutes of its "extended" bulletin to the bomb, and much of that was a waste of time. The lack of pictures of the bomb site was presumably no fault of the BBC's, but the inclusion of repetitive banalities from witnesses ("There was a loud bang and the shelves fell off the wall") was. Nor does it really seem to be "news" of a magnitude calling for reports from the BBC's political editor that the prime minister "is said by those close to

him to be shocked and angry". Gosh, really?

Instead of behaving more than usually like the 24-hour news networks on these occasions, the flagship news programmes should surely be doing the opposite and taking their cue from the BBC World Service, providing as much definite information as possible on the big story and then moving on to the rest of the world's news. If viewers want to stay with the single breaking story they know that these days they have the 24-hour channels.

As for content, there was, as with previous bombs, one peculiar omission. Why does no politician on these occasions ever get on television and ask "Why is the IRA so frightened of democracy? What makes them think their bombs will work now when they never have before? And, given the spirit of Londoners during the blitz, do they really imagine that the reaction now will be 'Oh dear, we're so scared, we'll do whatever you want'?"

If the South Quay bomb showed televi-

sion journalism in a less than brilliant light, the programmes so far about the Scott Inquiry have been pretty compelling, and interestingly varied in their approach. *Dispatches* on Channel 4 started us off a week ago with a programme which told quite a lot about Scott the man. Not only did he impress as someone with a sharp mind, but the more the programme gave the stage to his detractors – Lord Howe and his ilk – the more it seemed that Scott must be onto something significant. Why such desperate keenness to bad-mouth him otherwise?

**I**n *Scots Of The Arms Antics* on Saturday, again on Channel 4, producers Elaine Morris and Dennis Woolf used various studio techniques (reconstruction of the inquiry, squires from Roy Bremner, oral journalism from Paul Foot, satirical sketches from two actors playing civil servants, straight presentation from Sheena McDonald, graphics, interviews) to create

a combination of journalism, comment and entertainment. Though it cried out for the two Johns – Bird and Fortune – to play the civil servants, it worked extremely well and the formula could easily be adapted to many other topics.

**BBC's Government On Trial – The Scott Report** covered much of the same ground, though in a far more conventional manner and, in a remarkable number of instances, given the hundreds of thousands of lines of evidence at the inquiry, agreed with *Arms Antics* on the most quotable passages. John Major's "Some things that I was not aware had happened suddenly turned out not to have happened" is irresistible, of course, as is Lord Trefgarne's "Very vigorous implementation of a flexible interpretation" of the fourth estate.

Television news and current affairs have come a long way in a relatively short time. You do not have to be more than middle-aged to remember when the most mobile form of television news equipment was a man perched on top of a shooting brake clutching a vast camera on a tripod. At that time broadcasters blithely operated under "The 14-Day Rule" which banned them from making programmes about any subject due to be discussed in Parliament within the following fortnight. The contrast between that and the anything-but respectful treatment of politicians in the Scott pro-

grammes is dramatic. Some will argue that the change has been retrograde, but posterity will surely see this as television taking up its rightful place within the fourth estate.

The Steven Bochco series *Murder One*, subject of last Saturday's TV column, which is currently being screened by Sky Movies, will be shown on BBC2 from the beginning of March.

Theatre/Alastair Macaulay

## 'The Entertainer' revived

**F**orty years after *Look Back In Anger*, and over a year after his death, how important a playwright does John Osborne remain? Is his importance chiefly local? The best place to find out the answer is in live performance. For this, we need theatres which will revive his plays. Congratulations, therefore, to those that have, and in particular now to the Birmingham Rep and to Leeds' West Yorkshire Playhouse for reviving Osborne's 1957 famous but seldom-revived play *The Entertainer*.

The production is excellent, and the play is still full of Osborne's deadly, witty, authoritarian anger.

The British music-hall is dying; and so is Britain. Solidly and potently, Osborne ties together these two levels of his play, so that Archie Rice – the middle-aged song-and-dance performer who is this play's hero – expresses, both by metaphor and in direct utterance, the moral emptiness at the core of Osborne's Britain. Archie is gutless, heartless, treacherous, charming, rude, funny, unoriginal, but above all exhausted. And it is Osborne's great achievement that Archie becomes not hateful, but pathetic; and shockingly self-aware; and exceptionally interesting.

Archie knows that his act is faded, and that the music-hall

stage make-up, with overblown eyebrows, is fascinatingly close to Jack Nicholson's Joker (in the *Batman* movie), his dances and stage-stuff tread just the right unnerving border between delightful professionalism and stale routine, and he seamlessly connects the two worlds of Archie's life. His shrill, big speeches raise the voltage considerably, and his domestic manners, especially to his wife Phoebe, are marvelously jaded.

But perhaps the finest achievement of Anthony Clark's staging is that he makes the offstage world around Archie Rice almost as absorbing as Archie himself. Gillian Hanna's Phoebe is especially fine. She starts as a two-dimensional silly, works up to riveting domestic rage under the influence of alcohol and then diminishes again to an even more unsettling domestic complacency. She and Lucy Briers, as her stepdaughter Jean, catch the 1950s period very well. Richard Mayes is rather more bland and slow as Grandpa than I can bear; but Martin Parr makes a keen impression in the tiny role of Jean's fiancé Graham.

This play is most celebrated because Laurence Olivier "created" Archie Rice, its title role. Olivier's own role here is very well taken by David Rose. His

At the Birmingham Rep until March 2; then at the West Yorkshire Playhouse's Quarry Theatre, Leeds, from March 27 to April 20.

Recital/Adrian Jack

## A Liszt marathon

**W**hat sort of person, you may wonder, undertakes to record all of Liszt's piano music – some 80 CDs when the project is completed? Leslie Howard, who is well into it now (he started 11 years ago), is not just an athletic pianist but also a Liszt scholar. In his Friday night recital at the Wigmore Hall he gave the first London performances of Liszt's own piano versions of *Der Märchenzug* and his symphonic poem *Les Préludes*.

The *Nocturnal Procession* is a quiet, characteristically casual-sounding contemplation threaded with plainchant,

which Howard played with affectionate delicacy, following its effectively inconclusive ending with the whirlwind of the much better known second Episode, *Der Tanz in der Dorfschänke* usually known under the title of *Mephisto Waltz No 1*. A little patch of fluffing just showed he was human and altogether, coming at the end of a strenuous evening, it was pretty impressive.

Much of *Les Préludes* is lyrical and transparent – that was beautifully captured, too – but it builds up in a style not far from Wagner's *Tannhäuser*.

Howard rattled out the galloping octaves and furious scales against thunderous chords

with confident bravura. There are some small differences between the orchestral and piano versions, but lacking diverting contrasts of instrumental colour, the latter seemed to expose some disconcerting breaks in continuity.

As if all this were insufficient exercise for Howard's fingers, not to mention the demands on his concentration and memory, he played Beethoven's "Hammerklavier" Sonata before the interval. A sense of struggle is to be expected in the work – yet Howard played it as if it should present no problem, with a lot of gusto but little sense of strain. He was also accurate.

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A Kodo drummer: the Japanese group's display is almost as exhausting for the spectator as for the company

## Kodo drums up enthusiasm in Bruges

**B**ruges could easily congeal into an architectural museum piece of Renaissance gothic, a demurely Flemish gem of canals and hump-backed bridges, churches and merchants' mansions; but it has a liking for the exotic. Its 19th-century theatre, conventional town-hall Palladian on the outside, is an unexpectedly pretty froth of gilt and painted ceilings, complete with royal box plus a foyer bar that apparently shares the proportions of Wilton House's double-cube room beneath a ceiling worthy of Versailles. And at the beginning of February, when the canals of this "Venice of the north" are frozen hard enough to bear even Flemings' weight, it responded to the sound of Japanese drums.

A short festival of folk-cum-New Age music ended with Kodo, the percussive group that combines stylised visuals with rhythm and energy on varied traditional percussion. On a European tour also taking in France, Germany and Holland, they come to Britain at the end of the month. In Britain they have already become something of a cult despite a very different reception from

another mainly British audience at the Hong Kong Festival where, Kodo's artistic director Motofumi Yamaguchi cheerfully tells me, the plainly puzzled public sat on their hands and applauded nervously.

But then Kodo (the Japanese symbols that make up the word suggest both "heartbeat" and "children of the drum") puzzles even Japanese critics. When I ask Yamaguchi whether he considers the performance is primarily theatre, music or dance, he clasps his forehead in mock anguish. "It's very difficult.

There are theatrical elements but it's a music ensemble. In London there will be a dance piece. The lighting adds a theatrical element, very simple but you don't see this kind of lighting in normal concerts." One thing is certain: drums is what you advertise and drums is what you get.

The instruments may be traditional but the company's use of them is rethought in a modern way – visitors to the Wells will recognise rhythms ranging from ragtime to "Turkey in the Straw"-type square-dance beats besides subtler syncopations. Kodo is neither a folk-group nor a purist Early Music

ensemble. The company consciously mixes old and new as a sort of reply to what a number of Japanese felt was a cultural threat. "After the second world war everything was westernised," the artistic director explains, "especially because of the American influence." Kodo began when people were wondering about their cultural identity."

**E**ven their finances are stubbornly independent. "Our main income is from performances – 130 to 140 per annum; we spend eight or nine months on the road. We like to be independent. We don't want support from a corporation or the government. Once there's a corporation behind you they start telling you what to do." Courageous words to western ears.

Based very much as a self-contained community on a Japanese island, Kodo plans to start a cultural foundation in two years, aiming to promote percussion workshops and music education for young people as well as inviting foreign artists to play and teach. Kodo's half of the bill was preceded by Guo

Yue, an exiled Chinese composer-performer who talks charmingly in English of his childhood in Peking (as he still calls it: BBC take note) and his mother's torture by Red Guards.

His music, with the help of a British cellist and a French chanteuse, just stays clear of Easy Listening. Kodo's display, however, is almost as exhausting for the spectator as for the company: variations rung on a selection of instruments, from tongue-in-cheek tapping to the huge drums clashing hypnotically by sweaty, loin-clad acolytes.

The Flemings react unphlegmatically. But then in the Saturday morning open-air market, among the pens of vintage poultry and aggrieved geese I notice a crate of live peacocks displaying the baffled hauteur associated with passengers in the tumbril. Bruges always welcomes the exotic.

**Martin Hoyle**

Kodo is in Birmingham and Liverpool on February 27 and 28 respectively, and Sadler's Wells from March 4-6.

### INTERNATIONAL ARTS GUIDE

#### AMSTERDAM

**CONCERT**

Concertgebouw

Tel: 31-20-5730573

• Radio Kamerorkest and Groot Onderkoor: with conductor Frans Brüggen, soprano Luba Organovska, alto Birgit Remmert, tenor Wolfgang Bünten and bass Hanno Müller

Bachman perform Haydn's Symphony No.73 and Mass No.9 (Nelson), and Stravinsky's Mass; 3pm; Feb 17

**BERLIN****CONCERT**

Philharmonie & Kammermusiksaal

Tel: 49-30-254680

• Christine Schäfer, Sarah Walters and Richard Jackson; accompanied by pianist Graham Johnson. The soprano, alto and baritone perform songs by Schubert, Wolf, Poulenc, Brahms, R. Strauss, Berlioz, Shostakovich, Weber, Arne, Britten and Vaughan Williams; 8pm; Feb 19

• The Menuhin Festival Orchestra: with conductor Yehudi Menuhin

perform Prokofiev's Symphony No.1

**EXHIBITION**

(Classical), Shostakovich's String Quartet No.8 (Chamber Symphony), and Beethoven's Symphony No.7; 8pm; Feb 15

• Wolfgang Boetticher and Ursula Trede-Boetticher: the cellist and pianist perform works by Beethoven; 8pm; Feb 15

**CAMBRIDGE (US)****EXHIBITION**

Arthur M. Sackler Museum

Tel: 1-617-495-9400

• The Arts of Deccani India: exhibition devoted to the artistic traditions of the Sultanates of the Deccan Plateau in central India, which flourished from the 15th through the 17th centuries under the patronage of the Bahmani, Bidar, Nizam Shahi, Qutb Shahi, and Adil Shahi dynasties; from Feb 17 to April 2

**CHICAGO****EXHIBITION**

The Art Institute of Chicago

Tel: 1-312-443-3600

• Worlds Seen and Imagined. Japanese Screens from the Idemitsu Museum of Art; 55 rare screen paintings from the collection of the Idemitsu Museum of Art are the focus of this exhibition. Dating from the 15th through the 19th centuries most of the works are six-panel screens; from Feb 17 to April 5

**DENVER****EXHIBITION**

Denver Art Museum

Tel: 1-303-640-2793

• Edward Ruscha: The End: exhibition of a collection of paintings

**EXHIBITION**

National Portrait Gallery

Tel: 44-171-3060055

• Richard & Maria Cosway: Regency Artists of Taste and Fashion: the artistic couple Richard and Maria Cosway, active in Europe during the late eighteenth and early nineteenth centuries are subject of this exhibition comprising some 250 works drawn from public and private collections, including miniatures and jewellery, portrait and subject drawings, engravings, oil paintings and works of art from the Cosway collection; to Feb 18

**LEIPZIG****OPERA**

Oper Leipzig Tel: 49-341-1261261

• Don Giovanni: by Mozart. Conducted by Jiri Kout and performed by the Oper Leipzig and the Gewandhausorchester; 7pm; Feb 17

**LISBON****CONCERT**

Grande Auditório da Fundação Gulbenkian Tel: 351-1-7935131

• Orquestra Gulbenkian: with conductor Gustav Kuhn and pianist Peter Lang perform Mozart's Symphony No.2, Piano Concerto No.22 and Symphony No.38; 9.30pm; Feb 15, 16 (6.30pm)

Edward Mortimer

## Time for a larger role

The US is warning that Europe must soon develop some capacity to prevent conflicts, at least within 'its own theatre'

"While President Clinton was on the phone with Athens and Ankara, the Europeans were literally sleeping through the night. You have to wonder why Europe does not seem capable of taking decisive action in its own theatre."

How will Europe survive without the author of those words, Richard Holbrooke, who retires as US assistant secretary of state for European affairs next week? After a round of farewell parties in Washington last month, he had been planning to spend his last three weeks in office solving the Cyprus dispute, which those sleepy Europeans had allowed to drag on for 40 years. Then, after he and Bill Clinton were robbed of their beauty sleep by the Greek-Turkish spat over the Imia islets, he announced he was diverting his attention to the Aegean. Alas for Cyprus.

Since then, however, he has been ordered back to the Balkans to rescue his best-known achievement, the Dayton accord, endangered by the Bosnian government's detention of Serb soldiers on suspicion of war crimes. Alas for the Aegean. By the time you read these words, I dare say "superman" Holbrooke will be shuttling between London and Dublin to salvage the Northern Ireland peace process.

No wonder a man of such talent is widely credited with aspiring to be secretary of state in the second Clinton administration, if there is one. Meanwhile, his words about Europe are worth pondering.

No doubt they will be hailed by Eurosceptics as confirming the futility of the EU's pretension to a common foreign policy. But the truth is the nation states of Europe did no better in the Aegean crisis than the EU itself. Holbrooke's criticism is directed at Jacques Chirac, Helmut Kohl and John Major just as much as, if not more than, Jacques Santer or Hans van den Broek.

European leaders sleep through that sort of crisis because no one wakes them.

Euro-spat: Turkish commandos in action during the dispute with Greece over the Imia islets  
Photograph: Reuters

No Greek or Turkish leader expects that Major or Chirac will have enough clout with his opposite number to impose a face-saving compromise. Europe's leaders no longer feel responsible for such a crisis because they know they lack the power to resolve it. The only "realistic" policy is to leave it to the US.

Eurosceptics are presumably content with, or at least resigned to, that state of affairs. But Holbrooke is not.

His words convey an unmistakable impatience. Coming from the man who has done more than anyone else in the last two years to re-focus US attention on Europe and to assert America's commitment to European security, they should be read as a warning.

Europe will put too much strain on that commitment, he is saying, if it does not soon develop some capacity of its own to manage crises and prevent conflicts, at least within "its own theatre".

Until last year, European leaders fulminated about the indecision and ineffectiveness of Clinton's foreign policy, not wholly without reason.

The administration took a disastrously long time to come up with a definite policy on Bosnia, and it is very difficult for Europeans to have an effective policy when the US is pursuing a different one, or even letting it be thought that it might be. On a smaller scale one can see that in Mostar.

It is fashionable to say that foreign policy is not a matter of institutions, but of political will and national culture. But culture is moulded by institutions, and political will needs institutions to express itself.

Europeans will not develop a will to act collectively so long as they know there are no mechanisms enabling them to do so.

One needs, first, the will to create such mechanisms. That is what the inter-governmental conference starting next month is supposed to about.

Europe's failure to prevent, and its indifferent record in managing, the conflicts in former Yugoslavia, gave rise to a great wave of Euro-defeatism, followed by relief when the US finally took matters in hand. What Holbrooke is telling us, in his charmingly tactful way, is that next time he may not be around and we Europeans may have to clear up our own mess.

Photograph: Reuters

Photo: Reuters</p

## COMMENT &amp; ANALYSIS

## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700  
Wednesday February 14 1996

## Straws in the Iowa wind

The great farming fields of Iowa are not, perhaps, the most representative electoral pastures in the US. The state has a reputation of being strongly isolationist, with a strong streak of social conservatism and a healthy mistrust of foreigners, big business and Wall Street. It is therefore fertile ground for the economic nationalist, arch-conservative message of Mr Pat Buchanan, the populist Republican presidential hopeful. It should be no surprise that he ran Senator Bob Dole, the party front-runner, a close second in the state caucuses, the first real test of the presidential campaign.

Indeed, if Senator Dole had been able to choose which of his rivals for the Republican candidacy should come second, he might well have opted for Mr Buchanan. For the wisdom on both sides of the US political divide is that such an idiosyncratic right-winger is unelectable as president.

Nevertheless, he is clearly emerging as the candidate of the religious right, and that movement is going to be a force to be reckoned with for all Republicans in the campaign. In Iowa, Mr Buchanan succeeded in mobilising roughly the same 25 per cent of the vote as Mr Pat Robertson in 1988. His anti-abortion rhetoric strikes a real chord.

His problem is that while he can mobilise social conservatives, he cannot really hope to win the other mainstay of the Republican right, the economic liberals. He is a fierce economic nationalist; he does not believe in liberal free

## Too many chips

Is the world heading for an indigestible surfeit of semiconductors? A set of industry figures yesterday, together with the recent surge in plans for new capacity, might suggest that is the case. US demand for semiconductors fell precipitously last month, industry figures revealed. However, fears that the industry is heading back to its past extreme cyclical are premature.

In the short term, at least, there is little risk of a glut. The ratio of US orders to shipments, which was at its lowest level for years in January, largely represents an inventory overhang. The pressures on the PC industry, notably Apple Computer, prompted manufacturers to squeeze inventory levels sharply. However, the overhang is likely to have shrunk by the spring.

The underlying trend is that demand is growing strongly, driven particularly by the personal computer market and the launch of advanced software such as Windows 95, which need large amounts of memory. Although memory prices have fallen in the past few months, shortages of memory chips plagued many computer users last year.

Concern about overcapacity is better focused on next year and beyond, given the expansionary plans of Japanese, Taiwanese, Korean and US chip companies. In the past year or so, manufacturers worldwide have announced plans to build some 50 new plants. For

## Reform steps

The dogs of the German consensus-building machine are turning faster these days, though still more slowly than the economy needs. Trade union leaders summoned their members to the streets on Monday to oppose government proposals to limit the costs of early retirement. Yet, by later that day, the same leaders had struck a deal with the government and employers that will ease one of the fastest-growing pressures on the state pension system.

For many, the deal – which took only three hours to hammer out – is proof that the social partners are still up to the job of correcting the country's looming structural problems. Yet, welcome though it is, the deal shows the weaknesses of the bargaining process as well as the strengths.

The first, and most obvious, problem, is that it took a sense of crisis to trigger reform. The pension system's generous terms for early retirees – first introduced in 1984 – have long been in need of reform. Companies have used the scheme as a cheap way to shed labour, putting huge strains on an overburdened pensions system.

Every 100,000 people taking early retirement cost state pension funds DM12.7bn and unemployment insurance DM9.2bn, putting upward pressure on contributions. The companies themselves pay DM1.5bn. Earlier this month, Mr Norbert Blum, the labour minister, warned that the pension system would have to "save, save,

save" to spare employers and employees a sharp rise in contributions next year.

Yet Monday's bad news on unemployment did far more to strengthen the government's hand in the negotiations than Mr Blum's gloomy arithmetic. With the January jobless total at another postwar high 4.16m, the leaders could not be seen to be standing in the way of implementing the 50-point economic action plan unveiled last month.

This prospect does not mean that the industry must resign itself to the sharp cyclical swings which have characterised its past.

The proliferation of applications will have helped protect it from that painful phenomenon for many years. However, chip manufacturers announcing new investments with such gusto should recognise that leaner times are not far away.

## India's juggernaut of change

Political scandals add uncertainty to April's elections but are providing impetus for reform, say Mark Nicholson and Peter Montagnon

**O**n a salary of just Rs5,000 (288) a month, Mr Salman Kurshid, India's minister of state for external affairs and a member of parliament for Uttar Pradesh, finds it difficult to afford some of the demands of his constituents and party workers.

One worker recently asked him for a colour television for his daughter's wedding, costing the equivalent of two months' ministerial salary. The assumption was that if the minister himself could not afford it, he would have the contacts to conjure up the gift from somewhere else.

That, says Mr Kurshid, is the feudal style of traditional Indian politics. It is also "totally unacceptable" in the type of modern industrial economy which India is seeking to become after four years of reform.

The latest Indian political scandal, which erupted in January and involves accusations of illegal payments to numerous politicians, illustrates the upheaval caused by this painful transition to modernity. It has added a note of uncertainty to the country's politics ahead of an election in April.

But younger and more open politicians such as Mr Kurshid believe that the scandal may also provide an impetus for further modernisation of a system based as much on patronage as on democracy.

Since the scandal broke last month, 10 leading politicians, including three ministers and the leader of the largest opposition party, have been charged with taking bribes. Dozens more politicians are being investigated, including several ministers, after their names were found in diaries belonging to the Jains, a Madhya Pradesh family under investigation for alleged illegal foreign exchange dealing.

The incriminating notebooks were first discovered in 1991, but the investigation was low-key until two journalists took the matter to the Supreme Court, which insisted last year that inquiries should lead to prosecutions.

The timing of the charges – three months before a general election – were widely seen as a ploy by Mr P.V. Narasimha Rao, the prime minister whose ruling Congress party has been dogged by opposition accusations of corruption. He was seen as using the scandal as an opportunity to spread allegations across the political spectrum in an effort to defuse corruption as a decisive election issue.

But Mr Rao has opened up a Pandora's box, creating a scandal of unprecedented proportions. Among other developments, opposition parties claim there is evidence implicating Mr Rao himself in the scandal – although his officials have denied any involvement.

Unlike the Bofors weapons procurement scandal of the late 1980s, the Jain scandal has already resulted in criminal charges against politicians. For the first time, supervision of a corruption investigation by the Central Bureau of Investigation has been wrested from the politicians by an increasingly activist Supreme Court.

The extensive media coverage, the Supreme Court's determination to ensure that the inquiry is completed without hindrance, and the suggestions of Mr Rao's involvement have all lent the affair a momentum which many believe will extend beyond the elections.

"Something has started which cannot be stopped," says Mr Prem Shankar Jha, a newspaper columnist. "The political class is in a panic." In India's volatile political climate



it is difficult to judge the impact of the scandal on April's elections. Congress supporters argue that most voters, especially those in rural areas, are interested primarily in local issues. Corruption among political leaders has long caused to surprise them.

Moreover, rural Indian voters appear to enjoy the spectacle of larger-than-life politicians who exude power and plenty; witness the phenomenon of filmstar politicians such as the late N.T. Ram Rao, former chief minister of Andhra Pradesh, who commanded fanatical popular support from voters even while pursuing policies that undermined the financial stability of his state.

But voters are unlikely to ignore the scandal altogether. The involvement of other parties will not necessarily free Congress from its reputation for corruption. The allegations against Mr L.K. Advani, leader of the main opposition Hindu nationalist Bharatiya Janata Party, look weak. And support has been grow-

ing for the leftwing parties, including India's two communist parties, the leaders of which have been largely untainted.

The implications of the scandal for economic reforms, which have sought to liberalise trade and industry after 40 years of protection and state control, could be as significant as the impact on politics. Some Indians argue that the country's politicians are so discredited that they no longer have the moral authority to deliver the good government and politically sensitive economic reforms on which the country's future prosperity depends.

But others, such as Mr Kurshid, believe the scandal may represent a milestone on India's road to modernity. Economic reforms, including privatisation and deregulation of industry, have reduced the role of government in the economy.

And national politicians no longer matter so much with power in India devolving to the states and away from central government as central

political parties along with a review of the 25-year-old ban on corporate donations to political parties. India's political parties at present survive largely on undeclared kickbacks from powerful business leaders to individual politicians.

Mr Jayant Ramesh, a former state planner turned business journalist, says state funding of political parties would cost only about Rs10bn a year, tiny in comparison with total budget outlays exceeding Rs1,000bn.

He believes such a system will probably be introduced by whoever comes out ahead in the next election. But there is scepticism about how fast it will come, and about whether more transparent political funding would eliminate corruption.

One advantage of state funding, adds Mr Shankar Jha, is that it would allow party leaders to control more directly which candidates run for office. The present system of patronage places too much power in the hands of individual politicians able to procure the greatest resources, whatever their formal position in the party hierarchy.

**S**uch changes could help transform standards in Indian politics, Mr Kurshid believes. But there must also be changes in the expectations of voters, who expect favours in return for their support and, because they rarely pay taxes, have no incentive to fight against the cost of inefficiency created by corruption. The attitudes of politicians and bureaucrats, some of whom see their jobs as a source of wealth that could not possibly be provided by their salaries, also need to change.

"The problem will go away only with a change in social behaviour. It will not happen overnight," says Mr Kurshid. "But you would get a working system and some incentive for decent people to come in and remain decent and honest."

Whether Mr Rao has any such political evolution in mind is questionable. The prime minister appears as ambivalent towards political reform as he has been towards the economy. He has never argued from an ideological standpoint for the economic reforms, which were hatched as a result of the balance of payments crisis in 1991. It is thus unclear how vigorously he would pursue constitutional reform if re-elected in April.

However, some analysts believe that pursuing reform may be popular among India's more affluent urban voters, who hold the swing vote in Indian polls. This is also arguably the class most interested in economic reform, which could be helped by restructuring of the political system.

With a government less dependent on patronage, for instance, it would prove easier to liberalise activities such as land sales and the sugar and fertiliser industries. These are still controlled, and thus still lucrative sources of revenue for politicians, says Mr Ramesh.

Other economists say political reform would also make it easier to cut India's yawning budget deficit, set to exceed 6 per cent of gross domestic product this year. Tax claims could be enforced against wealthy individuals and businesses which have routinely paid bribes to evade them in the past.

Other countries such as Japan and Korea are cleaning up the relationship between their politicians and business. The scandal may help India make its break with the corruption of the past.

"Somebody's got to begin the change. This will give us the impetus," says Mr Kurshid.

*Financial Times*

## 100 years ago

Meeting of the Reichstag. The discussion of the Estimates for the Ministry of Foreign Affairs in the Reichstag gave occasion for a debate on the foreign affairs of the Empire. Dr. Hammacher, on behalf of the National Liberals, expressed satisfaction with the recent announcement of Baron Marshall von Bieberstein that no Bill for increasing the navy would be laid before the Reichstag in the present session. When the Bill came to be presented, his party would examine it with the requisite patriotism and sober reflection.

## 50 years ago

Cheap money policy in U.S. A continued low interest rate policy both on commercial and Government operations is advocated by the Secretary to the Treasury, Mr Vinson. His position was disclosed when his recent testimony before the House Appropriations Committee sub-committee on the Treasury Department Bill was made public. "I believe," he said, "in the wisdom of a low interest rate policy because of the widespread benefits throughout the economy. Low interest rates greatly benefit the taxpayer by making possible a lower rate of taxation to cover expenditures than would otherwise be possible."

## OBSERVER

## Training for holes

If Eurotunnel was aiming at balance when it chose the two mediators for the Herculean task of trying to settle with its creditors, it has certainly succeeded with Lord Wakeham and Robert Badinter.

Apart from the obvious contrast in nationality, the pair are politically of opposing hue – Wakeham being a former Tory minister while Badinter is a former socialist minister. He was a close friend of the late president François Mitterrand. While Badinter has absolutely no business experience, the 67-year-old French constitutional lawyer has one thing going for him – namely experience in conciliation.

Wakeham slipped quickly – too quickly, some said – from politics into business. But Badinter has

been heading the Conciliation and Arbitration Court of the Organisation for Security and Co-operation in Europe. Basically,

he is involved in trying to sort out the ethnic and political squabbles of eastern Europe – after which

Eurotunnel is presumably a picnic.

## Felix's exit

■ So Felix Rohatyn, the Democrats' favourite banker, has bowed out of the running for the

number two job at the US Federal Reserve. He was no doubt right to suggest that his confirmation hearings before the Senate would have been "protracted and extraordinarily divisive". But he is certainly not going quietly.

Rohatyn's view is that Washington is in the grip of an ideological war that threatens to "overwhelm any possibility of rational dialogue". His retreat has at least allowed the veteran managing director of Lazard Frères to remove his self-imposed gag, which is no bad thing. There are not many US bankers worth listening to. Rohatyn is the exception.

W.G. Grace, the item explains, knew all about lobs, chinamen, googlies and the finest of legs, but even he would struggle with some of the more recent terminology.

Hence AFP goes on to explain such arcane modern terms as "pinch-bitter", and "reverse swing".

Explaining these terms in English is a big enough task on its own. But translating them for AFP's French-speaking customers would be the *ultime défi*. AFP did not even bother to try.

## Highly charged

■ Any British Tory MP who gets as far as something called the "second beef premium" in the EU's annual price package for agricultural products announced today is in for a shock. It has long been a favourite of the EU diverts taxpayers' money not towards producers of the Sunday joint but in the direction of fodder for the bull ring.

Now the Commission has decided to scrap this "second beef premium", which had been paid to farmers when bulls are 22 months old, and to pay farmers more at the 10-month stage. This will supposedly remove the incentive for farmers to keep their bulls

## Pile 'em high

■ One has to admire Graham Kirkham, founder of DFS, a UK furniture chain. His company has just been had up by the Advertising Standards Authority for an over-enthusiastic mail shot inviting DFS customers to a reception marking DFS's 25th birthday. "We've chosen just 500 people from your area to join us... It's a once in a lifetime offer only available to you as a specially invited guest," cooed the DFS inviter.

Unfortunately for DFS, one of those invited worked in the sorting office of the local sub Post Office and objected that the mailing was misleading because they had handled over 1,800 mailings in their village alone.

## Spanish practices

■ British officials escorting Ms Wu Yia Lang, China's visiting trade minister, were all of a flutter on Monday night. A grand dinner at Lancaster House looked like turning into a disaster after a security alert

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Bundesbank chief's view at odds with Brussels

## Tietmeyer favours Emu delay over instability

By Andrew Fisher in Frankfurt and Peter Norman in Bonn

Mr Hans Tietmeyer, head of the Bundesbank, yesterday said it might be better to delay European monetary union than to start in 1999 without member countries reaching an adequate level of economic stability.

His statement, one of the clearest examples of German central bank insistence that stability should take priority in Emu, came as European politicians stressed the need to stick to the planned starting date. They argued that delay could endanger the project and bring new risks.

"Monetary union, once started, must not go off the rails," Mr Tietmeyer said. "If necessary, a delay in timing would be less problematic than a later derailment."

He was speaking at a Frankfurt conference attended by Mr Yves-Thibault de Silguy, European Commissioner for monetary affairs, who warned that putting off Emu would mean new negotiations. This would carry the danger of upsetting the political balance achieved in the four years of talks up to the signing of the

Maastricht treaty in 1991.

"This balance must be strengthened not shaken," Mr de Silguy said. "It would be a serious mistake to seek a new balance." Not only was there no consensus over how the economic convergence criteria for Emu might be changed, he said, but renegotiation would also clash with the EU intergovernmental conference starting in March, and talk on expanding the EU in 1998.

In Bonn, Mr Günter Rexrodt, Germany's economics minister, called for an end to the debate over a delay to Emu. He said there were realistic chances that enough countries would qualify for Emu in time for a 1999 start.

However, despite their approval of Emu, respondents were also aware of the disadvantages with 61 per cent expecting the euro to be less stable than the D-Mark, and inflation to rise. But more than 70 per cent said the single currency would have a strong position in world capital markets and help Europe compete with the US and Japan.

Mr Henkel said Emu's starting date was less important than ensuring its stability with the right membership.

Mr Hans-Olaf Henkel, president of the German industry federation (BDI) said if the heads of all 80,000 member companies were asked what they thought of Emu, "the majority would probably still be very sceptical".

He said they would be more so than German political and business leaders - including the heads of 150 companies employing over 1,000 people - surveyed for the Capital business magazine, he said. Support for Emu among this group has grown to 77 per cent, against 61 per cent last June.

The action follows the conviction of an official in Singapore's Public Utilities Board (PUB), jailed last November for accepting bribes from a former employee who had been acting as a consultant for BICC, Siemens, Pirelli of Italy, and two Japanese trading houses - Tomen Corporation and Marubeni Corporation.

Both Pirelli and BICC said the decision to bar them was based on a misunderstanding. BICC plans to appeal against the ban.

Mr Choy Hon Tim, a deputy chief executive of the PUB, is serving 14 years after being convicted of passing confidential information about PUB tenders since the mid-1980s to Mr Lee Peng Siong, his former colleague.

The PUB, responsible for gas, electricity and water in Singapore, has been restructured ahead of privatisation.

Singapore has sought to justify its limited democracy and authoritarian approach to government on the grounds that its administration was competent and clean. It is therefore remorseless in punishing corruption.

Officials said yesterday there was no connection with Tuesday's decision to defer indefinitely the privatisation of Singapore Power, a large part of the PUB before restructuring. They reiterated that the reason for the deferral was that the returns were too low.

BICC said it expected all five companies would try to overturn the ban, which covers all new power contracts for five years. Pirelli said it had been informed of the defacement. "We believe that this action, the reason for which has not yet been notified to us, is based on a misunderstanding of the facts. Our company has not been involved in the court proceedings."

It was unclear what would happen with all these tiny errors you're clocking up," Mr Bowser said, according to Mr Leeson in his book. "The auditors will start to ask questions." By the time Mr Bowser changed his mind a few months later and told Mr Leeson to report his errors to London, the trader had already begun using the 88888 account to hide losses and unauthorised trading.

"It was several years ago," Mr Bowser said, yesterday in response to Mr Leeson's claims. He said Mr Leeson's recollection might be faulty. Mr Bowser, who is still employed by Barings as a risk controller based in Hong Kong, had no further comment.

But Mr Leeson's disclosure that

he was told to establish the hidden account reinforces the central conclusion of the Bank of England report into the Barings collapse: that Barings failed to stop Mr Leeson because of an "absolute failure of controls".

When Barings began trading in mid-1993 on the floor of Simea, the Singapore futures exchange, it was soon swamped by the volume of orders, and buying and selling mistakes were made in the confusion and noise of the trading pits.

Mr Bowser allegedly said the frequency of trading errors might arouse the attention of Barings' auditors and told Mr Leeson not to send back to London reports on the new "error account".

"We don't want to be bothered with all these tiny errors you're clocking up," Mr Bowser said, according to Mr Leeson in his book. "The auditors will start to ask questions." By the time Mr Bowser changed his mind a few months later and told Mr Leeson to report his errors to London, the trader had already begun using the 88888 account to hide losses and unauthorised trading.

By the end of 1992, Mr Leeson had built up a loss of £2m in the 88888 account. The deficit grew to £23m by the end of 1993, £208m by the end of 1994 and £227m on February 27 last year, as Barings went into administration.

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## Drop in US chip orders

Continued from Page 1

was, nonetheless, 16.3 per cent higher than the \$3.58bn recorded for January 1995. Shipments for January set another record at \$4.47bn, up slightly from \$4.46bn in December, and up 38.4 per cent from \$3.20bn in January 1995.

The drop in the book-to-bill ratio for January was a surprise, the SIA acknowledged. "But we remain confident about the long-term outlook for the global semiconductor industry," said Mr Thomas Armstrong, SIA president.

After dropping sharply in after hours trading on Monday night, semiconductor stocks steadied in response to the news.

## Dole victory

Continued from Page 1

than Iowa to his proposal for a flat-rate tax. He then hopes to finish second in Delaware and first in Arizona on February 24 and 27 respectively. But Mr Buchanan dismissed the publisher as a flash in the pan. "I just do not believe the scuffle will rise a second time," he said.

The primary campaign will now shift into top gear, with Tuesday's New Hampshire primary the next in a series of 30 state tests which will choose 68 per cent of the delegates to party nominating conventions by the end of March.

## Leeson says he was told to establish secret error account

By Nicholas Denton in London

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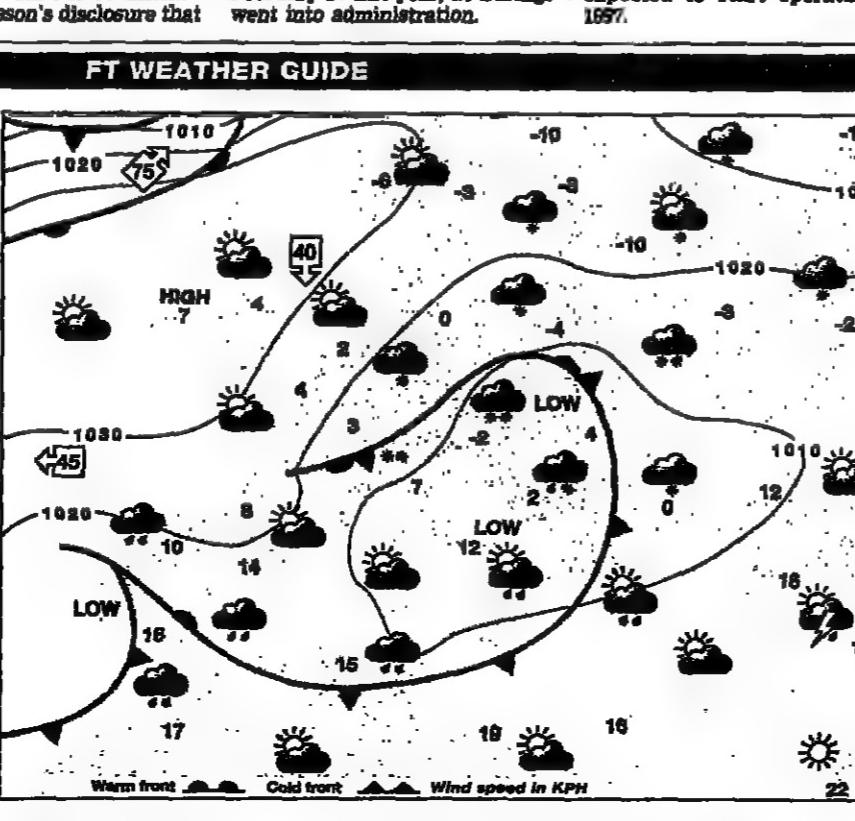
## Europe today

Central Europe will be dominated by a complex depression over Italy and the Balkans.

Widespread snow is expected in the Alps and north of the Alps. Balkan countries will remain mixed with sleet but snow will accumulate in the mountains. Showers will affect western Greece but Crete will remain dry with sunny intervals. Unstable air will cause several showers over Cyprus and southern Turkey, some with thunder. Cloud will persist over the Ukraine, producing widespread light snow. Southern Spain and Portugal will be wet but the north will stay dry. Western France will become clearer but the Benelux will remain dull. The British Isles will have sunny intervals after a frosty night.

### Five-day forecast

Showers will be frequent over the eastern Mediterranean but the Iberian peninsula will become more settled. Milder air will move into the Benelux, France and Germany, producing snow which will turn to rain. During the weekend, low pressure will bring widespread snow to central and eastern Europe. Northern regions of the British Isles will be cloudy and wet on Thursday but the south will be fair. It will become more unsettled.



### TODAY'S TEMPERATURES

	Maximum	Beijing	Belfast	sun	11	Carcass	sun	30	Faro	rain	15	Madrid	cloudy	11	Rangoon	sun	34
Abu Dhabi	fair	25	Belgrade	rain	3	Cardiff	fair	6	Frankfurt	clear	2	Malaga	shower	17	Plovdiv	rain	7
Acre	cloudy	31	Berlin	snow	-1	Castellane	shower	15	Glasgow	rain	15	Manchester	fair	18	Planes	fair	30
Algiers	showers	20	Berdyansk	showers	18	Chicago	cloudy	2	Hamburg	cloudy	0	Melbourne	fair	19	Porto	shower	15
Amsterdam	cloudy	2	Bogota	fair	19	Cologne	overcast	0	Helsinki	cloudy	-10	Mexico City	fair	21	Prague	overcast	22
Atlanta	cloudy	16	Bonny Bay	sun	32	Dallas	fair	23	Hong Kong	cloudy	24	Miami	sun	11	Stockholm	cloudy	7
B. Alm	fair	28	Brussels	snow	-1	Dubai	sun	23	Istanbul	shower	7	Montreal	cloudy	0	Sydney	shower	18
B.Jam	fair	4	Budapest	cloudy	-1	Dublin	fair	23	Kuala Lumpur	shower	28	Nairobi	fair	10	Taranto	rain	15
Bangkok	sun	35	Copenhagen	fair	21	Dubrovnik	rain	10	Lisbon	shower	23	Paris	overcast	0	Tbilisi	fair	18
Barcelona	fair	12	Cape Town	fair	21	Edinburgh	fair	22	London	overcast	14	Madrid	overcast	14	Vancouver	fair	12

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## Singapore bars five companies linked to bribe case

By Tim Burt and Peter Montagni in London and John Simkins in Milan

Five international manufacturing and contracting companies, including Britain's BICC and Siemens of Germany, were yesterday banned from seeking state power contracts in Singapore after being implicated in a bribery scandal.

The action follows the conviction of an official in Singapore's Public Utilities Board (PUB), jailed last November for accepting bribes from a former employee who had been acting as a consultant for BICC, Siemens, Pirelli of Italy, and two Japanese trading houses - Tomen Corporation and Marubeni Corporation.

Both Pirelli and BICC said the decision to bar them was based on a misunderstanding. BICC plans to appeal against the ban.

## German cartel office loses gas test case

By Judy Dempsey in Berlin

Germany's plans to liberalise the energy sector suffered a substantial setback yesterday after two gas companies won a court case allowing them to divide east Germany's gas sector between them.

The court rejected an attempt by the federal cartel office to outlaw contracts between gas and electricity companies agreeing regional monopolies for distribution and supply of energy.

The ruling means that Mr Günter Rexrodt, the economics minister, will find it more difficult to win support from domestic utility companies in seeking agreement in Brussels on a Europe-wide energy liberalisation law to open energy networks to competition.

"This is a big disappointment for anyone who supports competition in the energy sector," said Mr Jürgen Kiecker, of the cartel office, Germany's

competition watchdog. "This was a test case. We will see if we will appeal against the court's decision."

The cartel office had taken action against Verbundnetz Gas (VNG), the east German gas company dominated by Ruhrgas, the country's largest gas distributor, and Wintershall, the gas subsidiary of BASF, the chemical group.

It claimed that a December 1994 "denomination" contract between VNG and Wintershall – in which both agreed not to poach each other's customers in eastern Germany, and agreed areas in which each would have a monopoly of new customers – was uncompetitive. The companies argued that the agreement encouraged competition. "That fact that we have a foothold in eastern Germany where VNG dominates distribution.

Wintershall won a delivery contract with Gazprom, the Russian state-run company, to distribute gas in Germany, some of which is sold to VNG.

## Berlin police search site for illegal workers

By Judy Dempsey

Berlin police and employment department officials yesterday made a surprise raid on a large construction site in the heart of the city, surrounding the half-built office block and searching it for illegal workers. The operation involving over 100 policemen and women, several police vans, interpreters, and scores of employment department officials is part of a crackdown by the Berlin and Brandenburg authorities on building companies which hire labour below German prices.

More raids may follow in other parts of the country after a government decision last week to clamp down on cheap foreign labour – even those from other European Union countries.

The construction industry,

faced with growing competition from non-German companies, is ambivalent about the decision. Mr Lothar Mayer, chairman of Philipp Holzmann, Germany's largest construction group, said yesterday domestic labour costs in the industry were dragging down competitiveness.

"Foreign workers cost less, especially if they are employed illegally," said Mr Detlev Berkner, responsible for coordinating the raids across Berlin and Brandenburg. "Some of them cost DM5 (US\$40) an hour – no insurance, nothing. A German labourer would cost the employer between DM60-DM80 an hour," he said.

Yesterday's raid took place at the Konitorhaus, an office complex under construction on the corner of Kronenstrasse and Friedrichstrasse – an area set to become Berlin's new

fashionable district and where Galeries Lafayette, the Parisian department store, will open later this month.

But there were few signs of the glitz and glamour yesterday as several east Europeans and former Yugoslavs were escorted from the site for questioning. Others, mostly young men, were photographed against the site's fences.

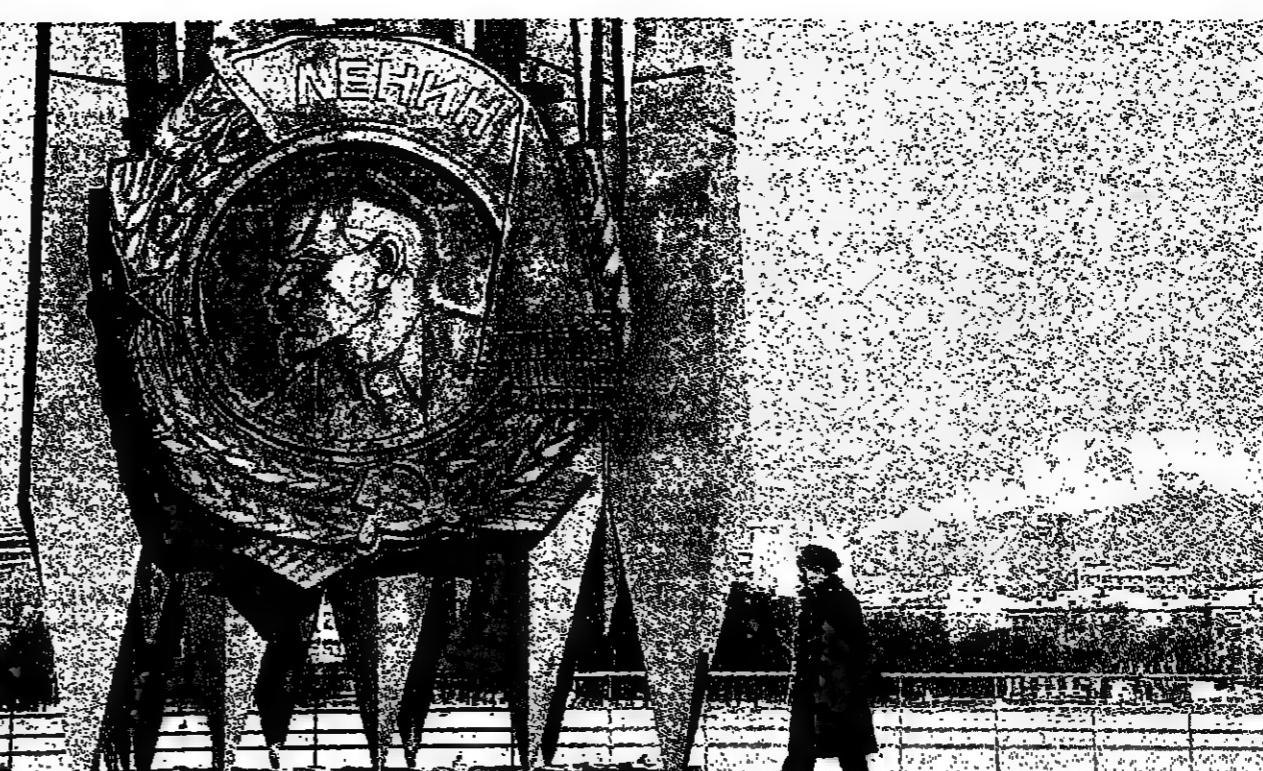
"Some may have to return home. We'll have to check their papers," said Mr Berkner. In the meantime, he said the authorities would question the management.

"We will keep carrying out these searches. Depending on the size of the site, we carry out about two raids a day. The bigger the building site, the greater the number of illegal workers. Sometimes 100 per cent of the workers are illegal," said Mr Berkner.

In a sharp departure from last

year's fiscal austerity, Mr Yeltsin has recently become a crusader for high government spending, making a spate of populist promises which, if implemented, would amount to nearly \$300 for every Russian in the run-up to the poll.

Officially launching his re-election campaign in Ekaterinburg – known in Communist times as Sverdlovsk and where he was party first secretary in



A giant symbol of the Soviet era still stands in the city of Ekaterinburg, where Yeltsin was the Communist party boss

Photo: AP

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election campaign in Ekaterinburg – known in Communist times as Sverdlovsk and where he was party first secretary in

Communist conference in Moscow today. Mr Zyuganov, who ironically never climbed as high as Mr Yeltsin in the party pecking order of the old regime, is widely perceived as a lacklustre personality, lacking Mr Yeltsin's charisma, political guile and control over the machinery of state.

But Mr Zyuganov is not haunted by the ghosts of the unloved nouveaux riches and

he is happy to blame Mr Yeltsin for the painful transition to a new economic system.

As Ms Ludmilla Samarskaya, head of the local branch of the Communist party, explains: "The tide of popular dissatisfaction with reforms is rising. People fear losing their jobs, and dying in the war in Chechnya. Ekaterinburg no longer loves Boris Nikolaevich."

EU agriculture expenditure is expected to decline further from next year because direct aid payments, agreed as part of the wide-ranging reforms in 1992, peak this year and export refund payments will fall as Gatt limits reduce the scope of subsidised exports.

The underspend in 1996 is a result of savings from export refunds which have fallen dramatically following an increase in world market prices during the second half of last year. This more than offset a rise in direct aid payments which stood at Ecu23bn

during the 1995/1996 marketing year.

The figures were released as

Mr Fischer unveiled an agricultural price package for 1996/1997, which he said would be neutral in budget terms. This year's annual price-fixing exercise contains minimal changes as support prices and direct aid payments for producers were fixed as part of the 1992 reforms.

The proposed changes

by 14 per cent as well as creating one instead of two set-aside rates for arable crops.

Before giving the package the green light yesterday, a number of Commissioners, including Sir Leon Brittan, EU commissioner for trade, attacked Mr Fischer's cautious approach on reforms. He denied the drive for reform of the CAP was "grinding to a halt", arguing that sectors excluded from the wide-ranging changes introduced in 1992 still had to be tackled. These included the wine, fruit and vegetable and olive oil sectors.

It had to be recognised that the status quo was "not an option for the long term. In the medium to long term we have to ensure continued reform of the CAP," he said.

Mr Fischer also suggested he would initiate a debate on the EU's controversial milk quota regime, which limits the milk output of producers through the allocation of individual quotas. Any proposed changes to the regime, which costs the EU Ecu4bn annually and is due to expire in 2000, will be fiercely resisted by farmers.

## EU to underspend agricultural budget

By Caroline Southey in Strasbourg

The EU expects to underspend this year's Ecu40.8bn (\$51bn) agricultural budget by Ecu60bn as a result of reforms to the common agricultural policy and improvements in commodity prices, Mr Franz Fischer, the EU Commissioner for agriculture, said yesterday.

This means member states will have to pay less into the central budget this year, unless they agree that the money should be used elsewhere.

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## NEWS: THE AMERICAS

# White House upbeat on business upturn

By Michael Prowse  
in Washington

The US business expansion is in no danger of ending prematurely, Mr Joseph Stiglitz, chief White House economist, indicated yesterday in an Economic Report of the President crafted to reassure financial markets and underline the Clinton administration's economic achievements.

"The economy during 1995 made the transition from economic recovery, during which growth was driven by removing slack from labour and capital markets, to a period where growth is and will continue to be determined by the expansion of the economy's capacity," the report says.

Mr Stiglitz and colleagues on the Council of Economic Advisors also try to put the intense political debate of the past year in perspective by analysing the role of government in a modern economy. They acknowledge the "era of big government is over" but set out numerous ways in which government can promote economic growth and a fairer distribution of income.

The report, published annually since 1946, is widely read in colleges and universities as well as in government, business and financial circles.

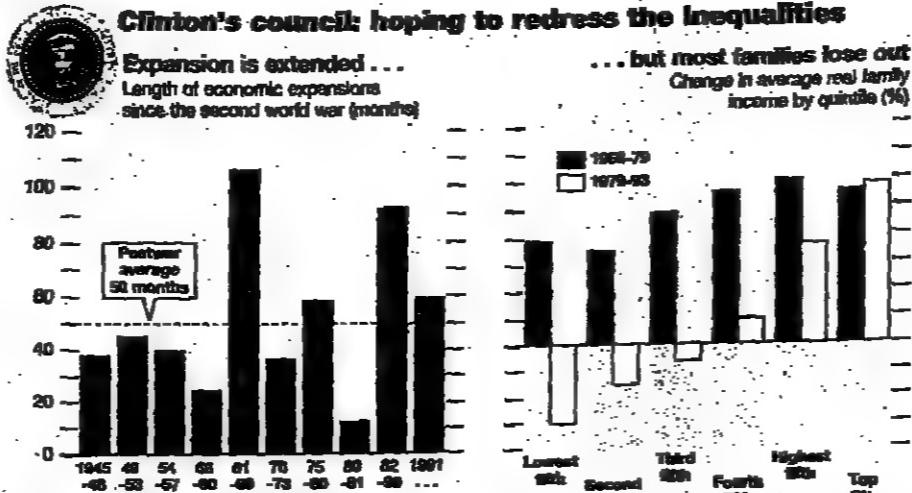
The council warns that the economy "may hit a pothole" in the first quarter of this year,

reflecting bad weather and the recent government shutdown, but it believes the economy is "fundamentally sound". It projects growth of 2.2 per cent this year (on the new chain-weighted basis which allows for the changing structure of prices) after a disappointing 1.5 per cent last year.

The core rate of inflation is expected to remain at about 3 per cent; the jobless rate is seen as static at about 5.7 per cent.

Since the economy is now operating at full capacity, future growth will depend on the rate at which capacity expands. This is put at about 2.3 per cent a year, reflecting labour force growth of 1.1 per cent and productivity gains of 1.2 per cent. Provided monetary policy is adjusted to keep the economy on this stable growth path, Mr Stiglitz expects inflation and unemployment to remain at about their current levels for several years.

The current expansion, which began in March 1991, has run for 59 months, a little longer than the 50-month average for expansions since 1945 (see chart). This has prompted speculation that a recession might be due. However, the council stresses there is no such thing as a "normal life-span" for a business cycle. Expansions are not significantly more likely to end sim-



ply because they get older (this, however, is true of recessions because governments typically adopt stimulatory measures). The longest recent expansion, in the 1960s, lasted 106 months.

The best way to judge whether an expansion is about to end is to look for symptoms of strain such as rising inflation, climbing interest rates, financial imbalances, banking sector troubles, or an overhang of corporate inventories. Since none of these strains is visible (the slowdown in production last year helped reduce a mini-overhang of inventories), the council doubts a recession is in the offing.

On the contrary, it sees signs of a fundamental improvement in economic conditions. In the 1980s the core rate of inflation rose when the jobless rate dipped below 6 per cent. But in this upturn the jobless rate has hovered around 5.6 per cent for more than a year without seeming to put upward pressure on inflation, indicating the rate of unemployment consistent with stable inflation (the so-called NAIRU) may have fallen to about 5.5-6.7 per cent.

This decline could reflect structural changes such as increased global competition, weaker unions and greater concern about job security.

On the role of the state, Mr Stiglitz accepts the need for

some downsizing, including the possible devolution of some functions to state and other lower tiers of government.

He believes the federal government can promote growth in four main ways: by reducing its own fiscal deficits and thus stimulating private investment; by investing in people and technology; by opening up markets at home as well as overseas; the cited recent telecommunications reforms as an example; and by improving its own efficiency as a service provider and regulator.

He puts the greatest stress, however, on investment in people, which he regards as essential if the government is to ensure that the benefits of growth are broadly spread. The report points out (see chart) that between 1984 and 1978 Americans at all income levels enjoyed a sizeable increase in living standards: the poorest fifth saw incomes rise by 20 per cent in real terms.

But since 1978, only the top fifth has seen a large increase in real incomes; the incomes of the poorest 80 per cent have declined in real terms.

As a former university professor, Mr Stiglitz believes the federal government can best reduce this growing inequality – which probably reflects technological changes – by helping lower income groups gain access to higher education and suitable skills training.

achieved through an excessively tight fiscal policy. There was evidence that lowering VAT, by stimulating growth, would not reduce the tax take.

Mr Luis Secco, economist at the Broda consultancy, said tax projections were unrealistic. Broda is forecasting a fiscal deficit for 1996 of \$4.8bn, double the implied deficit envisaged by the Fund, while the projects privatisation revenue of only \$1.5bn.

Rather than being unrealistic, Mr Secco said that to aim for merely a balanced budget was "very unambitious".

**'We think it's a good deal, in which numbers stack up well'**

External conditions were more favourable for borrowing than last year, when access to capital markets had been extremely tight, Mr Secco said. This had limited the administration to relax its purse strings instead of paring spending further.

The problem is that, when the Argentine authorities have the money, they spend it. Last year, they had to cut because they had no alternative."

Mr Braun said that to try to generate a surplus as the economy recovered from last year's sharp recession would be "counter-cyclical and counter-productive".

Should the need arise, however, further spending cuts could be applied. President Menem has asked Congress to grant him "superpowers" which would allow him to merge and scrap overlapping tiers of the government bureaucracy. Such cuts could save up to \$1bn.

The lower house of Congress last week agreed to grant the president these exceptional powers. The bill is now being discussed in the Senate where, as in the lower house, the governing Peronist party has a majority.

## Swifty brings Random House to book

By Alice Rawsthorn

Mr Irving Lazar, the late Hollywood agent, was a legend in Tinseltown. He won his nickname, "Swifty", by clinching five film deals in a day for Humphrey Bogart, but now has a new claim to fame as the architect of Joan Collins' book contract.

Thanks to Mr Lazar, Ms Collins, the actress-turned-novelist, won a legal battle this week against the powerful US book publisher Random House, which took her to court in an attempt to recover \$1.2m of advances and refused to pay her \$800,000 in additional advances.

Random House claimed Ms Collins had breached a 1990 publishing contract whereby it agreed to pay her \$2m on receipt of two complete novels.

The publisher alleged the work she

submitted was not complete. The jury found in her favour, deciding that she could keep the \$1.2m she had already received and might be owed the remaining \$800,000.

The verdict was an embarrassing blow for Random House and a triumph for Ms Collins. She cast herself as a tearful *grande dame* in the courtroom, almost eclipsing her performance as the arch-bitch, Alexis Carrington Colby, in the 1980s TV soap opera *Dynasty*.

However, the real victory lies with Mr Lazar (who died in 1993) because if he had not negotiated such an exceptional contract for Ms Collins, she might have lost the case.

Although the sums of money involved in US literary contracts vary enormously, the wording is usually standard. This is largely because the contracts are written by the publish-

ers, rather than by agents as is the case in the UK.

One of the classic clauses in almost all publishing deals is that the publisher will only be liable to pay the advance if it deems the manuscript to be "complete" and "acceptable".

Over the years the more aggressive US literary agents have tried their hardest to persuade publishers to delete the word "acceptable". Almost all of them have failed – except for Mr Lazar when he clinched Ms Collins' deal with Random House.

His client thus became one of the few authors whose publisher had no right to reject a manuscript if it considered that the quality of the writing was inadequate.

The consensus in publishing circles is that Random House only agreed to exclude the "acceptable" provision

from Ms Collins' agreement because, as a celebrity author, she could be regarded as an exceptional case whose contract would not set a precedent for other writers.

Similarly, the company may well have been willing to make an exception for Mr Lazar on the grounds that he was primarily a Hollywood agent, who only negotiated literary deals on behalf of existing theatrical clients such as Ms Collins and the actor Michael Caine. Again this meant there was little risk of the contract setting a dangerous precedent.

"Whatever happened, Random House must be kicking itself for caving in to Swifty's demands," said one literary agent.

"Maybe someone else has negoti-



Facing the press: Joan Collins outside the Supreme Court in New York

## NEWS: WORLD TRADE

## China refuses to kow-tow on tariff reform

**B**eijing will set its own path towards liberalisation, unswayed by foreign pressure, its trade minister is telling the west

reforms by China in the past decade qualified it to join the WTO as a developing country. However progress of the WTO negotiations – of which a further session is due to be held next month – "has not been satisfactory".

"We can only make commitments consistent with our level of economic development. Sometimes, demands are made when China will join the WTO, China's reform and open-door programme will continue. But this programme will proceed according to timetables determined by ourselves," Ms Wu added.

Ms Wu said the Chinese government would determine the pace of future reforms and would not "hurry away" fundamental interests simply to obtain WTO membership.

China has already announced plans to cut tariffs on 4,900 product lines in April. That would reduce its overall tariff rate from 36 per cent to 23 per cent – but would leave it well above the 15 per cent average for developing countries.

Ms Wu said "massive"

compromises. If one side insists on its own demands, then negotiations cannot go on. There has been no precedent for the success of such negotiations in the world. China will continue to maintain flexibility in its WTO accession negotiations."

However, she added: "No matter whether...and no matter when China will join the WTO, China's reform and open-door programme will continue. But this programme will proceed according to timetables determined by ourselves." Ms Wu criticised the European Union for pursuing a "very strong protectionist policy against China" by maintaining quotas on its exports and applying anti-dumping rules in an unfair and discriminatory manner, which treated China as a non-market economy.

She said the export quota violated both the EU's trade

and economic agreement with China and international trade rules. She hoped Britain could persuade the EU to drop its restrictions on Chinese exports.

The Chinese minister said trade and investment relations with the UK had "a very bright future" now that the two countries had overcome differences over the future of Hong Kong.

"A good political relationship would contribute positively to trade and economic relations. On the flip side, if the political relationship is not good, it would inevitably have an adverse impact on trade and economic co-operation."

**B**y contrast, she emphasised that China's trade and economic links with the US had continued to prosper, in spite of political frictions.

She hoped negotiations with the US over implementation of last year's bilateral agreement to stamp out copyright piracy would succeed. China had taken extensive measures to enforce the accord and wanted to co-operate with the US to ensure that it was effective.

However, Ms Wu made clear that if the negotiations broke down, and the US carried out its threat to impose sanctions on more than \$1bn in Chinese exports, Beijing would retaliate in kind. "In China, we have a saying that courtesy demands reciprocity. It would be impossible not to return the goodwill."

She added: "The Chinese people love peace and we are not willing to start a war in the commercial battlefield. However, if we are attacked, we have to defend ourselves. But we certainly do not want to see a war."

Ms Wu exhibited a similar

blend of guarded optimism and caution about prospects for renewal of China's Most Favoured Nation trade status by the US Congress this summer. "We have offered our best hope, but we have also prepared for the worst," she said.

She acknowledged that some US politicians were again seeking to link MPN renewal to human rights issues. However, she hoped the combined efforts of the US and Chinese governments and business communities would ensure that Congress passed the legislation.

It was increasingly recognised that revocation of MPN would damage the US as much as China, she said. To make the point unmistakeably clear, she recalled that US companies had \$9.4bn invested in 18,000 projects in her country. "Both sides would be victimised," she said.

**Guy de Jonquieres  
Peter Montagnon**

## WORLD TRADE NEWS DIGEST

## Ford's Belarus plans advance

Negotiations between Ford, the second largest motor manufacturer in the US, and the government of Belarus on a joint venture to assemble vehicles have taken a step forward with the arrival in Minsk of a Ford team to decide which local companies should be involved.

The project, announced by Ford last December, ran into difficulties after workers and management at the Minsk tractor plant criticised plans to assemble cars at a special unit within the plant.

The broad lines of the deal envisage assembly of 5,000-10,000 Escort cars and Transit vans, which would be sold through Ford-authorised dealers in Belarus and in other parts of the former Soviet Union.

The partners are aiming for at least 70 per cent of the parts to be produced in Belarus, and for the vehicles to be priced competitively with like-sized Russian models made in Russia.

A Belarus spokesman said the government proposed that Ford should take a 51 per cent stake in the venture, with 26 per cent being held by the state and 23 per cent by Lada OMC Holding, a Russian company. **Hraig Simonian, Motor Industry Correspondent**

## Anti-pollution finance agreed

Nalco Fuel Tech, a joint venture between Fuel Tech NV and Nalco Chemical of the US, has signed a \$50m agreement to finance its entry into the central European market for low-cost, anti-pollution systems capable of being retrofitted.

The agreement with TRC Companies covers both financing and engineering support for power plant air pollution control systems for antiquated and polluting coal-fired boilers used across the former Soviet bloc.

Mr Kent Durr, Fuel Tech's chairman, said that Poland alone had more than 6,000 boilers to which the companies' air pollution control technologies could be applied. Power companies in the Czech Republic, Hungary and Slovakia had also expressed interest.

The process reduces sulphur dioxide, nitrogen oxide and other emissions and has been installed in more than 180 power plants. The company is installing its first commercial system in central Europe at Legnicka in Poland after successful trials at power stations there.

Thousands of plants throughout the former Soviet bloc require anti-pollution systems which do not require highly capital intensive wet-scrubbing. The low cost system has attracted extra funding from the Warsaw government and the US Export-Import Bank. The Polish trial is also being closely followed by the European Bank for Reconstruction and Development which provides finance for pollution abatement in eastern Europe.

**Anthony Robinson, London Correspondent**

**Nepal invites power bids**

Nepal is inviting foreign private investment to develop an hydroelectric project rejected by the World Bank last year as unviable. Mr Pasupati Shumsher Rana, the country's water resources minister, said the 402MW Arun III project in eastern Nepal was one of many projects open for private sector participation and foreign investment.

Last August, the World Bank withdrew a promised \$175m loan for the first phase of the project, which was designed to produce 201MW of electricity in the remote Arun valley. It said the facility was too big for Nepal to support.

The \$1bn plant was to have been co-financed by western donors, including Germany and France, and the Manila-based Asian Development Bank (ADB).

**Reuter, New Delhi**

## Singapore exposes tip of corruption iceberg

Efforts to curb bribery in the award of international contracts are in their infancy, writes Andrew Taylor

**M**r Lee Kuan Yew, when he was prime minister of Singapore, claimed to be the world's highest-paid head of state, but not the richest. It was an oblique reference to the business kick-backs received by other leaders.

This week Singapore – which has some of the world's toughest anti-corruption penalties – banned five international manufacturing and contracting companies implicated in a bribery scandal from bidding for local power contracts.

The ban on EICC of Britain, Siemens of Germany, Pirelli of Italy and Tomen and Marubeni, both of Japan, follows the j

## COMMODITIES AND AGRICULTURE

## Physical demand for gold 'to stay at record levels'

By Kenneth Gooding,  
Mining Correspondent

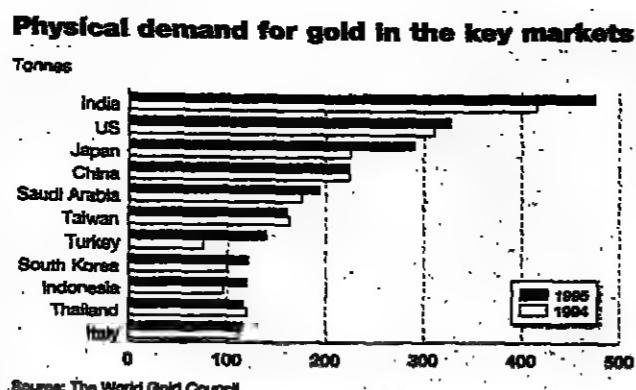
through an expert fiscal policy that is forcing the economy to grow. Some economists believe there are more forecasts of a real rate of 8.4% in 1996, up from 7.6% last year. While some attention is given to the budget deficit, others are unrealistic in their analysis of the situation. It is important to aim to balance the budget by 1998.

"Even if demand only consolidates at the levels reached last year it would continue to provide a strong fundamental base to the gold market," said Ms Helen Junz, director of the council's Gold Economics Service.

In the 22 markets monitored by the WGC - they account for about 75 per cent of global demand - physical gold intake was estimated to have reached 2,746 tonnes, 10 per cent above the 1994 level and beating the previous record set in 1992 by 7.6 per cent.

That was in line with the preliminary estimates last month by Gold Fields Mineral Services, the consultancy group that also monitors world gold markets. GFMS suggested that global demand for gold last year reached a record level of 3,550 tonnes, compared with the previous peak of 3,416 in 1992.

Ms Junz yesterday dismissed suggestions made by some analysts that physical demand for gold was already falling sharply towards the end of last



Source: The World Gold Council

year, just before the recent upward shift in the gold price. There was a substantial variation in demand growth rates during the year, however, with the first half of 1995 posting a 15.6 per cent year over year growth while in the second half growth fell back to a more normal 3.5 per cent.

She said the performance in those markets with a very high uptake of physical gold indicated that growth in income in countries such as India and Turkey was more important for demand than changes in the price of gold.

"Good income growth in India helped mitigate the effects of the price rise [in gold] in rupee terms since mid-1995," said Ms Junz.

There was no "global gold

market," she pointed out. "Different markets will react differently to gold price changes. While most developed country markets, in terms of jewellery demand, are relatively insensitive to price change, in Turkey the population tends to buy into a rising price trend, and in Hong Kong there tends to be active two-way trading in response to price variations."

She said last year would be remembered as one in which on the supply side forward sales became a big element while on the demand side the attractions of gold's basic attributes were demonstrated again - its indestructibility (as some Japanese discovered after the Kobe earthquake) and its vertically-integrated processing, refining and marketing venture formed at the end of 1994. The deal gives cash-strapped

## Canadians revitalise Cuban nickel plant

Pascal Fletcher on Sherritt International's reversal of Moa Bay's post-Soviet decline

**E**arly in January, a letter was pinned up outside the workers' canteen at Cuba's Moa Bay nickel plant, which is run jointly by Canada's Sherritt International Corporation and a Cuban state company.

In the letter the management congratulated workers on a new one-day output record - just over 101 tonnes of contained nickel plus cobalt in mixed sulphides - achieved on 1990 caused by the loss of the Soviet market and Soviet technical supplies.

Cuba's nickel/cobalt production rebounded in 1995 to 45,900 tonnes from a low of 26,362 in 1994.

Moa Bay alone produced nearly half of the 1995 total output from Cuba's three operating nickel plants, two of which are wholly Cuban-run.

The Cuban-Canadian joint company that operates the plant, aims to raise production this year to the full capacity of 24,000 tonnes - from 20,000 tonnes in 1996 and 13,000 in 1994.

Capital, new equipment,

managers skills and incentive schemes introduced by Sherritt over the last 12 months have revitalised the US-built plant, which was com-

missioned 36 years ago at the eastern Cuban mining town of Moa. It was nationalised after the 1959 Cuban Revolution.

Moa Bay, which employs pressure acid leaching to process ore scooped from huge surface deposits, feeds a nickel/cobalt refinery at Fort Saskatchewan in Alberta, Canada.

This is also run jointly by Sherritt and Cuba under a vertically-integrated processing, refining and marketing venture

formed at the end of 1994.

The deal gives cash-strapped

Cuba a share in world sales of refined nickel and cobalt.

The Canadian investment, one of the most prominent and successful so far on the communist-ruled Caribbean island, appears to have breathed new life into the entire Cuban nickel industry, which had suffered a decline in output since

1990 caused by the loss of the Soviet market and Soviet technical supplies.

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## INTERNATIONAL CAPITAL MARKETS

# Fall-out from Italy drags other markets down

By Martin Brice in London and  
Lisa Eberstein in New York

Italian politics dominated European government bonds yesterday, with the fall-out from the breakdown in negotiations to form a government affecting many markets.

The Italian yield curve flattened slightly as investors moved longer after prime min-

**GOVERNMENT BONDS**

ister designate Antonio Macanico abandoned his attempt to form a government, which means elections may be called. The yield on two-year paper rose 32 basis points and on 10-year bonds by 23 points, while on Liffe the March future settled down 2.26 at 110.03. The spread over 10-year bonds rose by 26 basis points to 32.

Mr David Brown, chief European economist at Bear Stearns, said: "If we do see a 4 to 5-plus point sell-off in BTPs' near-term, all it provides will

be one massive buying opportunity back into Italian markets again. We still see the lira going into the ERM at some stage this year, which will set up the lira, Eurobonds and BTPs as cracking good buys. Short-term though, be extremely cautious as the spreads are really going to fly."

The fall-out from Italy was felt in the other high-yielding markets, and the spread of Swedish 10-year paper over bonds widened 3 basis points to 264, while Spanish 10-year bonds widened 7 basis points to 354 over bonds. Mr Ken Wattrell, international economist at HSBC Markets, said Spanish bonds had outperformed Italian paper, with the spread between the two widening from about 50 basis points last week to about 80.

Ms Phyllis Reed, European bond strategist at BZW, said:

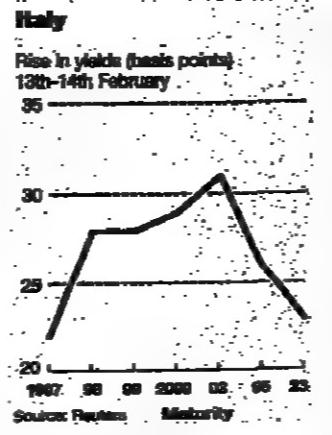
"Investors should buy on an Italian-inspired dip in the Spanish market."

French government bonds slipped in the morning and

failed to recover with investors on the sidelines until after M3 money supply data next week. The yield on two-year paper rose 6 basis points and that on 10-year paper by 5 basis points, with the spread between the two narrowing settling around 232 basis points. On Liffe the March 10-year bond future closed down 0.43 at 98.63. The yield of 10-year bonds over Treasuries widened 3 points to 46.

Mr Ken Wattrell, international economist at HSBC Markets, said the market perception had been that Germany would cut interest rates aggressively, but the fixed-rate repo had been seen as a move to slow the pace of cuts. However, Ms Reed at BZW suggested the fixed-rate repo could signal a cut in the discount rate, since the gap between the two was currently 300 basis points while 275 was more usual.

French government bonds were hit by European weakness, and on Matif the March future fell 0.32 to 121.72 while



larger than expected fall in unemployment, and Mr Simon Brice, economist at Nikko, said: "The chancellor [Mr Kenneth Clarke] is either right or lucky. Events continue to frustrate those in the markets who have not supported his judgment."

In the inflation report, the Bank changed its view to say inflation would probably be under 2.5 per cent in two years but that there was "no room for significant" interest rate cuts.

Analysts forecast that durable goods orders to hold steady at the end of last year while factory orders are expected to have posted modest declines.

Bonds felt some pressure from the commodity and foreign exchange markets. The dollar edged lower against the yen and the D-Mark in morning trading, changing hands for Y106.70 and DM1.476 compared with Y106.78 and DM1.4730 late on Tuesday.

Commodity prices were moderately higher, in part because of a rise in oil prices. Oil prices gained as cold weather across much of the US sent heating oil prices higher.

# Merrill Lynch to allow DKB to use counterparty unit

By Maggie Urry in New York

Merrill Lynch is to allow Dai-Ichi Kangyo Bank to use its triple-A rated derivatives counterparty subsidiary, in an innovative move likely to be followed by others in the Market Committee.

No important data were released yesterday but traders

were eyeing today's figures on December durable goods orders and manufacturers' orders, for guidance about whether the Federal Reserve might cut interest rates again at the March meeting of its Open Market Committee.

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Many of the largest eurobond issuers, such as sovereigns and multinationals, agencies, require triple-A swap counterparties.

However, in order to maintain a triple-A rating, these vehicles require substantial equity capital. Merrill initially put \$20m into its vehicle, which has since grown as the subsidiary retains profits. Most others have been set up with at least \$150m.

Mr Richard Robb, executive vice-president at DKBF, said that when DKB looked at set-

ting up a special vehicle of its own, it became apparent that the amount of capital required would make it expensive to the parent's balance sheet.

The industry as a whole has put more than \$1bn of equity into these companies, industry experts estimate, which is considered excessive for the amount of risk being absorbed, and thus a waste of banks' capital.

Mr Conrad Voldstad, president and chief executive of MLDP, said the attraction of the deal with DKB was that MLDP had a large amount of excess capital. "We wanted to see if we could use it more efficiently by putting more volume through it."

Mr Minoru Chiba, president of DKBF, said: "Co-operation with Merrill Lynch enables us to use DKB's balance sheet more effectively and to bring our customers the most widely accepted triple-A vehicle."

Merrill and DKB do not have a significant overlap between their clients. Most of MLDP's clients are either European or issuers in the surmounts. Under the arrangement, the identity of the two banks' clients and the terms of their swaps will remain confidential within MLDP. DKB will not come offshoot at this stage, and Merrill retains the right to make similar deals with other banks.

## Good demand for Ontario offer

By Connor Middelmann

The 10-year dollar bond sector yesterday struggled to absorb the recent wave of global bonds - \$1bn for Finland and \$1.5bn for the Province of Ontario - which was reflected by the performance of these deals. Both issues' yield spreads over Treasuries widened slightly as a result, with Ontario's premium moving to 49 basis points from 48 at launch and Finland's widening to between 37 and 38 basis points from a 36 launch spread.

Lead managers of Ontario's issue, Goldman Sachs and Salomon Brothers, reported good demand, especially in the US, and according to one official, "the deal is in good shape".

But others complained that the deal had been brought to the market too quickly, leaving insufficient time to pre-market it. Moreover, the yield spread - the same as the current spread on Ontario's last global - was seen as tight.

"It didn't give investors

leverage," said one dealer.

A syndicate official at Morgan Stanley, bookrunner of Finland's offering, defended the spread widening, arguing that it had weakened in line with the rest of the 10-year dol-

lar sector in anticipation of Ontario's issue.

Not to be deterred by these developments, the IADB announced plans for a \$1bn global bond "in the near future", with Merrill Lynch and SBC Warburg acting as joint lead managers.

Elsewhere, Merrill Lynch issued a £100m five-year offering targeted mainly at UK institutions and offering a hefty yield spread of 57 basis points over gilts.

In the D-Mark sector, the Kingdom of Sweden issued DM500m of 13-year bonds targeted at European institutions, via Salomon Brothers, while Bayerische Vereinsbank issued DM500m of six-year bonds via Bayerische Vereinsbank and SBC Warburg.

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## MARKETS REPORT

**Lira wobbles as stable government proves elusive**

By Phil Gashworth

The Italian lira was the focus of currency market attention yesterday following the failure of attempts to form a new government under Mr Antonio Maccacaro. The lira fell sharply overnight Tuesday, slipping to around L1.177 against the D-Mark from its London close of L1.61, but then traded steadily yesterday in Europe despite heavy selling in the Italian bond market. It finished at L1.075.

The fall in the lira made for a steeper D-Mark across the board. Against the franc it finished at FF 44.466 from FF 44.44.

The dollar held up reasonably well, bolstered in part by the expectation that the Bundesbank council meeting today will leave German interest rates substantially unchanged. The dollar finished at DM 1.682 from DM 1.682 and Y 106.965 from Y 106.965.

## POUND SPOT FORWARD AGAINST THE POUND

Feb 14	Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	One month	Three months	One year	Bank of England rate
				Rate	%PA	Rate	%PA	Index
Feb 14	1.5886	-0.0018	1.5886	1.5886	2.3	15.7816	2.6	1.5886
Mar	1.5888	-0.0018	1.5888	1.5888	2.3	15.7816	2.6	1.5888
Jun	1.5888	-0.0018	1.5888	1.5888	2.3	15.7816	2.6	1.5888
Dec	1.5845	-0.0018	1.5845	1.5845	2.3	15.7816	2.6	1.5845
1 yr	1.5817	-0.0018	1.5817	1.5817	2.3	15.7816	2.6	1.5817

Sterling also stood up well to the firmer D-Mark, and the release today of the much awaited Scott report, which promises to embarrass the government. It was also helped by better than expected unemployment figures. The pound appreciated from around L1.160 against the D-Mark to L1.058.

Given the hammering delivered to Italian bonds, some observers believe the lira got off lightly yesterday. Mr Paul Megreyesi, currency economist at Deutsche Morgan Grenfell in London, said: "The currency market is perhaps a little too sanguine. It seems to be saying that fundamentals will continue to improve whether Italy's government is facing on all fronts."

But Mr Megreyesi said that no government meant no min-budget, making the hoped for decline in interest rates, and a firmer lira, less likely. "If early elections are called the lira will get closer to L1.100 than generally expected."

The sharp move in the lira was little surprise given that the market was considered to be "long" the lira. A favourite trade in recent months has been to go short the Japanese yen, and long high-yielding currencies, such as the lira.

Partly this was justified on yield differentials, but the trade was also normally implemented in the expectation that

the (high-yielding) currency would appreciate.

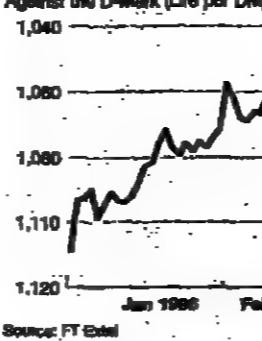
The correction also needs to be seen in the context of the rally over the past three months which saw the lira appreciate from around L1.160 against the D-Mark to L1.058.

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Lira  
Against the D-Mark (Lire per DM)

Source: FT Estat

in Germany's favour has been cited as a key reason for the dollar's inability to rally further against the D-Mark.

At first blush this is curious, since German inflation is below US inflation, and inflation expectations should be similarly subdued, given the weak state of the German economy. According to Mr Michael Burke, currency econ-

omist at Citibank in London, the answer probably lies in the very different fiscal positions of the two countries. He notes that whereas the US deficit has been falling in recent years, the German deficit has been rising since unification.

Explaining why the dollar may remain sluggish, he said: "It is difficult to see how that situation can be turned around. Budget deficit trajectories are set for some time now." If this logic is correct, then a US budget deal, if anything, will only exacerbate the dollar's plight, at least in the short term.

Those with longer memories point back to the mid-Eighties when Reaganomics caused rising US indebtedness, higher real interest rates, and a sharp dollar rally. In the longer run, though, it can be argued that these same factors are what later undermined the dollar.

Dollar bulls will be hoping that what is currently being experienced is the reverse; that

fiscal virtue, even if bad for the currency in the short term, will ultimately underpin a more durable rally.

The good performance of sterling despite the proximity of the Scott report is being attributed in part to familiarity. "The pound has had a long time to get used to the political problems the government is facing on all fronts," said Mr Megreyesi of DMG.

Mr Burke said sterling had "benefited from strong unemployment data and the narrowing of the perceived policy gap between Clarke and George. There is a feeling that if rates fall, it will be economically appropriate rather than political compulsion."

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WORLD INTEREST RATES										
MONEY RATES		INTEREST RATES								
February 14	Over night	One month	Three months	Six months	One year	Lomb. inter.	Dis. rate	Repo rate		
Belgium	3.5	3%	3.1	3.1	3.1	3.0	3.00	-	-	-
week ago	3.5	3%	3.1	3.1	3.1	3.0	3.00	-	-	-
France	4.5	4%	4%	4%	4%	4%	5.50	-	-	-
week ago	4.5	4%	4%	4%	4%	4%	5.50	-	-	-
Germany	3%	3%	3%	3%	3%	3%	3.00	-	-	-
week ago	3%	3%	3%	3%	3%	3%	3.00	-	-	-
Ireland	5.5	5%	5%	5%	5%	5%	6.25	-	-	-
week ago	5.5	5%	5%	5%	5%	5%	6.25	-	-	-
Italy	10.5	10%	9%	9%	9%	9%	9.75	-	-	-
week ago	9.5	10%	9%	9%	9%	9%	9.75	-	-	-
Japan	2%	2%	2%	2%	2%	2%	2.50	-	-	-
week ago	2%	2%	2%	2%	2%	2%	2.50	-	-	-
Switzerland	1	1%	1%	1%	1%	1%	1.50	-	-	-
US	5%	5%	5%	5%	5%	5%	5.00	-	-	-
week ago	5%	5%	5%	5%	5%	5%	5.00	-	-	-
UK	5%	5%	5%	5%	5%	5%	5.00	-	-	-
week ago	5%	5%	5%	5%	5%	5%	5.00	-	-	-

EURO CURRENCY INTEREST RATES										
EURO CURRENCIES		INTEREST RATES								
Feb 14	Short term	7 days	one month	three months	six months	one year	two years	three years	four years	five years
Belgium Franc	9.5	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Denmark Krone	5.5	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
D-Mark	5.5	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Dutch Guilder	5.5	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
French Franc	4.5	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
German Mark	3.5	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Irish Pound	5.5	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Italian Lira	10.5	10%	10%	10%	10%	10%	10%	10%	10%	10%
Swiss Franc	5.5	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
UK Pound	5.5	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
US Dollar	5.5	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Yen	5.5	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%

\$ LIBOR (mid rates are offered rates for \$10m quoted by four reference banks at 1pm noon each working day. The bank are Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Yen rates are shown for the domestic Money Rates, US CDs, ECU & SDR United Deposits (Da)).

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# FINANCIAL TIMES COMPANIES & MARKETS

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## IN BRIEF

### Bayer sees record but misses targets

Mr Manfred Schneider, chairman of Bayer, surprised the market by revealing that the German chemicals group had "just failed" to reach its aim of a 5 per cent rise in sales last year and that it would fall short of its target of a 10 per cent profit margin. But Bayer was on course to beat its previous record for pre-tax profits, of DM4.1bn, set in 1989. Page 16

**Hultamaki in talks to sell drugs division**

Hultamaki, the troubled Finnish consumer products group, said it was in talks to sell its Leiras pharmaceuticals division. Mr Timo Peltola (left), Hultamaki chief executive, said: "We think Leiras' potential will be best realised as a specialised unit within a major international pharmaceutical company." Analysts tipped Pharmacia & Upjohn, the newly merged Swedish-American pharmaceuticals group, as a likely buyer. Page 16

**European share markets have hot January**

Turnover at the top twelve European bourses

jumped last month to a record £300.5bn (£453bn), up 45.5 per cent from the previous month and by 52.8 per cent from January 1995. Page 17

**Compaq to attack Sun's internet lead**

Compaq Computer, the US supplier of PCs, is to challenge Sun Microsystems' dominance of the market for Internet servers - the large-scale machines used to publish material on the World Wide Web and handle Internet traffic. Page 18

**NYSE grows over defection from Nasdaq**

The rivalry between the New York Stock Exchange and the Nasdaq automated over-the-counter market intensified when the NYSE trumpeted a decision by Bay Networks, a provider of computer networking products and services, to switch its share listing to the Big Board. Bay has a market value of more than \$5.5bn. Page 18

**South China Morning Post bids for TVE**

South China Morning Post Holdings, publisher of Hong Kong's leading English-language daily newspaper, launched a HK\$1.16bn (US\$1.45bn) bid for TVE, the property and media group in which Mr Robert Kuok, SCMP chairman, already holds a significant stake. Page 19

**BP raises payout as it hits record**

British Petroleum lifted fourth-quarter dividend by 6 per cent as it reported a 36 per cent rise in profits to a record £1.01bn (£1.4bn). Page 20

**Surprise as Barrick trims its hedge**

Barrick Gold of Canada earned an additional \$65.4m in revenue last year from its astute hedging programme. No wonder rivals were startled when Barrick revealed it had cut its hedge position by one-third, from 8m ounces, or about three years' production, to 5m ounces. Page 21

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#### Chief price changes yesterday

FRANKFURT (DM)	PARIS (FFP)	Rome	
Alus	845.5 + 10.5	AIXCO	697 + 22
Brew	821 + 10	Ecob	653 + 19
Bect	883 + 10.5	Editor Int.	556 + 56
Bect	825 + 10	SLIC	755 + 29
Bell	809 + 10	Padila	775 + 13
Bell	785 - 10	Parsons	775 - 13
Bell	785 - 10	Forc Iren	443 - 10.5
Bell	785 - 10	Wittner	10.5
Bell	785 - 10	Catena	799 + 11
Bell	785 - 10	Poste	778 - 24
Bell	785 - 10	Delmas Inc	778 - 24
Bell	785 - 10	Kunica Chem	389 + 17
Bell	785 - 10	Metacap	389 + 13
Bell	785 - 10	Met Syst	2200 + 138
Bell	785 - 10	Telco Cen	892 + 31
Bell	785 - 10	TELEKOM (West)	
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Bell	785 - 10	Telco Cen	892 + 31
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Bell	785 - 10	Poste	778 - 24
Bell	785 - 10	Delmas Inc	778 - 24
Bell	785 - 10	Kunica Chem	389 + 17
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## INTERNATIONAL COMPANIES AND FINANCE

## EUROPEAN NEWS DIGEST

## Revamp for Bull product divisions



Groupe Bull, the French computer group, yesterday announced it was simplifying its product divisions and introducing new management to run them. Mr. Jean-Marie Descarpentries (left), president of Bull, claimed that "the arrival of four new directors with a great diversity of experience acquired in key posts at [Bull's] principal competitors" would reinforce the group's top management, headed by himself and his two sons, Mr. Thierry Breton. Mr. Descarpentries said that, after climbing back into profit last year for the first time in seven years, Bull would now try to achieve "internal growth at double the rate of the market" and seek to bring its profitability up to that of its competitors. He also indicated that 1996 might see "several strategic moves" either in terms of acquisitions or alliances, such as the one sealed last week in personal computers with Packard-Bell of the US and NEC of Japan.

The four new managers are Mr. Robert Aydabirian, who joined Bull in December from Hewlett-Packard and who is to become the group director in charge of commercial development; Mr. Khaled Marrel, an engineer with 23 years' experience with NCR and AT&T who is to take over the new Enterprise Information Systems division; Mr. Jacques Reboul, who has quit as head of Siemens-Nixdorf France to take over as director of Bull France; and Mr. Donald Zereski, who is leaving the presidency of Northeast International of the US to take charge of the Bull America network. *David Buchan, Paris*

## Heineken in Alsace buy

Heineken, the Dutch brewer, has acquired a controlling 54.4 per cent stake in France's Alsace-based Fischer Group, France's fourth largest brewer producing 1.7m hectolitres of beer a year. It had sales of FF1.5bn (\$268m) in 1994 and a staff of 950. Following the acquisition from family shareholders, the Dutch group, through its Sogebra unit, will make an offer to purchase shares held by the public. Fischer Group shares are traded on the over-the-counter market of the Nancy stock exchange. The same procedure will be used to purchase shares held by the public in Société Adelphi, a 72.6 per cent subsidiary of the Fischer Group which is also based in Alsace. Heineken said: "Analysts say the offer values the company at FF1.1bn." *AFX News, Amsterdam*

## EBRD sells Czech sugar stake

The European Bank for Reconstruction and Development has sold 80 per cent of its stake in TTD, a leading Czech sugar refiner, to ZAG, a German sugar producer. The sale reduces the EBRD stake from 32.9 per cent, which it acquired in 1993, to "close to 5 per cent." The bank said, TTD is majority-owned by Sucreries et Distilleries de l'Alsace of France, which acquired its stake when the company was privatised in 1992. The EBRD will retain a seat on TTD's supervisory board. Terms were not disclosed. *Vincent Boland, Prague*

## Nemura to lead IPB issue

Investment Postovní Banka, the third largest Czech commercial bank, yesterday appointed the investment bank Nippon International as lead manager for a proposed global depositary receipts issue, expected later this year. IPB said it expected the issue to be set at a minimum of \$70m-\$100m, but the exact amount will be decided at the end of May. IPB will be the second Czech bank to issue GDRs, following a similar move last year by Komercní Banka. Česká Sporitelna, the big savings bank, is contemplating a similar arrangement, and has retained Bankers Trust. IPB's announcement coincides with plans being studied by the Czech National Bank, the central bank, for further privatisation of the banking sector, in which the state is still the largest shareholder. *Vincent Boland*

## OMV sells Vietnam oil block

OMV Exploration, the oil and gas exploration unit of Austria's OMV, has sold a 10 per cent share in an offshore Vietnamese oil block to Nafta Ghely of Slovakia. OMV started drilling the first of two wells in block 104 off the central coastal city of Vinh in December last year but had found no hydrocarbons, after spending \$35m. OMV said it was evaluating the results from these wells and future exploration in the block would depend on these findings. The area received little attention from foreign oil companies until OMV signed an exploration contract with Vietnam's state oil agency in 1993. Most foreign companies are exploring for oil and gas in waters off Vietnam's southern coast. *Jeremy Grant, Hanoi*

## SE-Banken plans to spin off property portfolio

By Hugh Carnegie  
in Stockholm

Skandinaviska Enskilda Banken, one of Sweden's leading banks, is proposing to spin off its shareholders the huge property portfolio it took over as security against sour credits. The move will create Sweden's biggest property company.

The bank, the financial flagship of the Wallenberg industrial empire, said yesterday it planned to spin off the properties, with an estimated market value at the end of 1995 of SKr23bn (\$3.3bn), by handing over shares in the company it had created to manage them, called Diligentia, in September.

SE-Banken also reported a return to profit in 1995, swinging to a SKr1.65bn operating

surplus after heavy property write-offs drove it into losses of SKr10bn in 1994.

Diligentia, to be listed on the Stockholm bourse, will have almost half its portfolio sit outside the country, mainly in Belgium, Luxembourg, Germany and Portugal.

SE-Banken will capitalise Diligentia with SKr7bn of its own capital and SKr3bn in subordinated loans. Diligentia will also raise SKr18bn to SKr14bn in other loan capital, partly in the form of soft loans from SE-Banken.

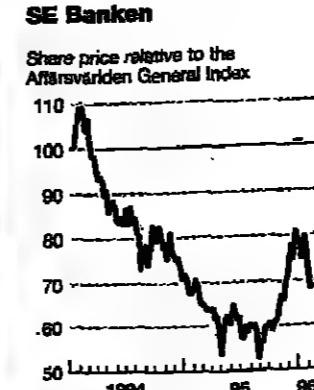
The move, intended to be SE-Banken's final act of recovery from the loan loss crisis which crippled the banking system in the early 1990s, is widely expected to be copied by Svenska later this month. Handelsbanken has unwanted



Björn Svedberg: the bank's strength has been restored

property holdings worth some SKr7bn.

The 1992 banking crisis was sparked principally by a recession-induced collapse in property values. Two banks, Nord-



banken and Gota Bank, were forced into state ownership, and took the bulk of the SKr65bn paid out by taxpayers to keep the banking system afloat.

SE-Banken's handling of the

Luxonex losses was sharply criticised recently by the Stockholm bourse and the financial supervisory authorities.

Beyond the improving loan

loss performance, however,

SE-Banken's underlying operations in 1995 were weaker.

Net interest income was down 4 per cent, commission and fee income slipped 5 per cent, and other income tumbled more than 40 per cent to leave net income down 11 per cent from SKr17.2bn to SKr15.2bn.

The bank blamed rising competition, low lending volumes and narrowing interest rate margins - as well as lower capital gains - for the reverse.

The dividend was again set at SKr1.50 per share.

## Huhtamaki in talks to sell drugs division

By Christopher Brown-Humes  
in Stockholm

Huhtamaki, the troubled Finnish consumer products group, said yesterday it was in talks to sell its Lefras pharmaceuticals division to an international drugs company.

Analysts tipped Pharmacia & Upjohn, the newly merged Swedish-American pharmaceuticals group, as a buyer and said the deal could be worth could be worth between FM1.5bn and FM2bn (\$433m-\$535m).

Huhtamaki said the sale would strengthen its balance sheet and add focus to its leaf confectionery and Polarcup packaging businesses.

The group, under pressure from slumping profits and narrower margins, has already said it plans to sell its troubled US collectible cards business, Domruus, and slim its confectionery operations.

Lefras is strong internationally in contraception, bone metabolism and ophthalmics. But, with 1995 operating profits of FM138m and sales of FM657m, it is small by international standards. Costs have risen owing to increased marketing and R&D spending.

Mr Timo Peltola, Huhtamaki chief executive, said rapid consolidation within the global pharmaceuticals industry had changed Lefras' operating environment, forcing companies to seek economies of scale. "We think Lefras' potential will be best realised as a specialised unit within a major international pharmaceuticals company," he stated, adding that a solution was likely in the spring.

News of the planned sale was welcomed by the market, pushing Huhtamaki's I shares up FM3 to FM14.

Ms Elina Timonen, chief financial analyst with Merita Securities in Helsinki, said termination of a collaboration between Lefras and Schering AG of Germany had also made life harder for Lefras.

Huhtamaki's profits fell 29 per cent in 1995 to FM312m, but the group held its dividend unchanged at FM4 per share.

## Den norske Bank warns of profits downturn

By Hugh Carnegie  
in Stockholm

Den norske Bank, Norway's biggest bank, warned yesterday that increased competition and higher taxes would lead to lower profitability in the coming years after "extraordinary" profit levels in 1994 and 1995.

State-controlled Dnb, which

only marginally below the profit of Nkr2.65bn reported in 1994.

A tax charge of just Nkr6m, thanks to the carry-forward of previous tax losses, left net profits at the same level, giving the bank a return on equity of 22.5 per cent.

However, Mr Finn Hvistendahl, Dnb's chief executive, said a combination of growing competition in the domestic market, which is eroding interest rate margins, higher tax charges and the end of a recent trend of gains from writing

back provisions made earlier for loan losses would lead to lower profitability levels "in the next few years".

He said Dnb was therefore taking steps to cut annual operating expenses by Nkr250m, including Nkr20m per share.

Mr Hvistendahl said he believed this would satisfy the government, which owns 72 per cent of Dnb.

He added that a continued upturn in the oil-booster Norwegian economy and the bank's ability to write back provisions previously made for loan losses lay behind the

"extraordinarily good" results of the last two years.

In 1995, net interest income slipped from Nkr4.7bn to Nkr4.4bn as interest rate margins were squeezed. But Dnb's strength in trading and fee earning activities enabled it to increase earnings from non-interest operating income from Nkr2.4bn to Nkr2.9bn.

Meanwhile, the bank had a net gain of Nkr475m as write-backs outweighed new loan losses, underlying the recovery from the loan loss crisis of the early 1990s.

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## Bayer falls short of targets as D-Mark remains strong

By Jenny Lucey

Bayer, the German chemicals group, yesterday surprised the market by signalling it had not met its sales and profits targets for last year.

But the "Big Three" German chemical groups, Bayer will still be the least affected by the recent downturn in demand for industrial chemicals and, latterly, speciality chemicals.

However, the group had "just failed" to reach its aim of a 5 per cent rise in sales last year, said Mr Manfred Schneider, chairman, and it would fall short of its target of a 10 per cent profit margin.

"Had it not been for the currency problems, 1995 would have surely been a boom year," he said. But the persistently

strong D-Mark had cost the group's two leading drugs - the cardiovascular Adalat, and anti-infective Ciprofloxacin - had each achieved sales of about DM3.5bn: this would have been DM2bn each had the D-Mark been weaker, said Mr Schneider.

On the healthcare side, the group's two leading drugs - the cardiovascular Adalat, and anti-infective Ciprofloxacin - had each achieved sales of about DM3.5bn: this would have been DM2bn each had the D-Mark been weaker, said Mr Schneider.

Mr Schneider said the group was conducting talks with another company, but he would not give details. He added that Bayer was interested in co-operation, and possibly even a takeover.

Looking ahead, the group as a whole was now expecting a softening in growth rates, caused by the slowdown in Europe: "growth rates will be stronger in Asia and the US and more moderate in Europe," he said.

Barilla's new approach will incorporate the main element of the "everyday low pricing" strategy which Mr Arzt implemented at Procter & Gamble - the ending of special promotions in favour of cuts in prices across the board.

At the same time Mr Guido Barilla, chairman, dismissed the possibility that Barilla might be taken over. "The company has never been for sale and is not for sale today," he said. He did not, however, rule out an eventual flotation on the Milan stock market.

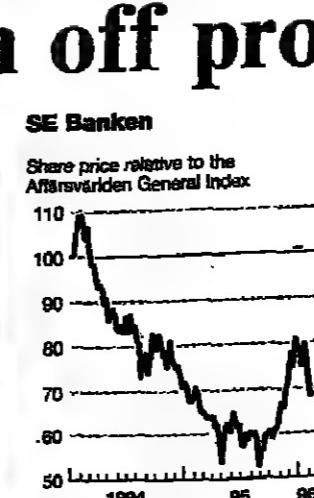
The Parma-based company has one-third of Italy's pasta turnover, half of the country's market for ready-made sauces and about 40 per cent of bakery

product sales, through its Pavesi and Mulino Bianco biscuit brands.

Barilla, which is 51 per cent owned by the Barilla family, saw net profits fall to £60m (\$83m) in 1995, against £111m the previous year. Mr Arzt said 20 per cent of Italian families now bought food in discount stores.

"Barilla's image for good value has clearly suffered," he said. "Our objective is to restore that."

Mr Arzt said that 80 per



backed by an advertising campaign.

Barilla, which wants to expand abroad, has a strong presence in France and Germany and 53 per cent of the pasta market in the US, where it has a licensing agreement with Campbell Soup.

Mr Arzt joined the company last year as a part-time executive director at the invitation of the three Barilla brothers who have rotated the chairmanship between them since their father Pietro died in 1993.

The consumer market has become promotions driven and in my experience promotions are an inefficient way of dealing with pricing problems," he said.

He added that under the new pricing strategy Barilla was able to cut the prices of its main products by an average of 12 per cent. The move will be

## Former P&G chief to revitalise pasta maker

By John Simkins in Milan

Mr Edwin Artzt, the former chief of US consumer products group Procter & Gamble who was head-hunted by Barilla, yesterday unveiled plans to revitalise Italy's largest pasta maker in the face of heavy discounting by competitors.

Barilla's new approach will incorporate the main element of the "everyday low pricing" strategy which Mr Arzt implemented at Procter & Gamble - the ending of special promotions

across the board.

## INTERNATIONAL COMPANIES AND FINANCE

## European equity markets soar to turnover record

By William Cochrane

Domestic investors poured money into European equity markets last month. Turnover at the top 12 hours soared to a record £200.2bn (£453bn) - a rise of 45.2 per cent on the previous month and up by 83.3 per cent from January 1995.

Investment managers put new funds into equities, but they were encouraged to do so: share prices rose, with the FTSE & P/Europe index up 4 per cent on the month; there were hopes of accelerating cuts in European official interest rates; and corporate earnings prospects were enhanced by a 4 per cent strengthening in the US dollar against the D-Mark.

International business was less hectic. There was a 2.6 per cent rise on the month in the volume in European stocks traded on London's Seaq International screen-based market. But at 'home' the dollar brought hard currency markets like Germany, the Netherlands and Belgium into the limelight, with domestic turnover rises of 86 per cent, 60 per cent and 59 per cent, respectively. Mr Cornish said that Spain tended to follow, and often exaggerate, international trends.

Other big business winners in Europe in January included Spain, with turnover up 50.9 per cent, and Italy and Switzerland, which registered gains of 50.7 per cent and 48.9 per cent, respectively. Mr Cornish said that Spain tended to follow, and often exaggerate, international trends.

Germany's gain followed a 12 per cent loss in equity business during 1995 when the weakness of the dollar against the D-Mark weighed heavily on the cyclical stocks which form the core of the German corporate economy, affecting their selling prices in export markets and the profit margins they

could earn. Yesterday, there were reservations about Germany's January performance.

Mr James Cornish, European equity strategist at NatWest Securities, which produces the turnover figures, said that domestic interest in Germany tended to rise towards the end of a market upturn.

"The previous record level for German domestic equities came in January 1994, a month during which the market peaked and then fell 7.8 per cent."

Last month, the Frankfurt Dax index peaked, rising 6.9 per cent. This month, a Dax fall of 1.2 per cent has accompanied an average daily fall of about 1.8 per cent in volume, according to Mr Cornish.

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## Targeting the nation's retirement nest-eggs

German investment fund companies are lobbying for change in the pensions system, says Andrew Fisher

**G**erman investment fund companies have long tried to interest risk-averse savers in equities to help increase their clients' long-term returns, but their arguments have often fallen on stony ground.

Yet as Germans become more concerned about the value of their future pensions, fund companies see an opportunity. The pay-as-you-go state system - under which pensions are paid from contributions of those at work and not from invested funds - is coming under increasing strain, especially with unemployment reaching record levels.

"Governments in Germany and the rest of Europe can hardly provide full pension cover in future for their citizens," says Mr Christian Strenger, head of DWS, Germany's biggest investment fund group. "The population trend is leading to more pensioners and fewer workers."

DWS and its competitors are not acting out of altruism. They see big opportunities from pension fund business if the right incentives are created. In the US, for example, retirement plans play a large part in mutual fund business.

DIT has just launched a monthly savings programme for those wanting to set aside more for their old age. Its DIT-Vorsorgeplan (provision plan) combines equity and bonds investment, with the emphasis shifting gradually to the latter over 12 years.

Mr Rolf Passow, head of DIT, says surveys show that two thirds of Germans are worried about their pensions. "The majority of Germans have already recognised the necessity of private provision for retirement."

**F**or this reason, Mr Strenger wants investment funds to have the same fiscal treatment as building society and life assurance investments. "We want a playing field in long-term retirement planning." At present, government-supported savings schemes allow only people on low incomes to save over the long term.

Nothing akin to personal equity plans in the UK.

Yet this is what should be encouraged, believes Mr Strenger. "After retirement, people finally have the time to spend money, and they should be able to enjoy it. Individuals should put regular amounts over the long term into products offering a superior return, which mostly means equities."

Only about 5 per cent of German financial assets are in the form of shares. However, German equity funds have increased in popularity, although still accounting for only 17 per cent of the



Frankfurt: set for a fillip if pensions policy is updated and the right incentives are created

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tem more flexible has intensified. Deutsche Bank Research has said the government should stimulate corporate pension funds by giving them fairer tax treatment.

**L**egal and tax obstacles hinder pension fund development in Germany, where company schemes are mostly based on tax-deductible book reserves which are not invested outside the business.

If more corporate pension money went into the capital market - pension funds in Germany are equivalent to only 6 per cent of gross domestic product, against 57 per cent in the US - returns would be enhanced and equity awareness stimulated.

Mr Passow also argues in favour of pension funds based on equity investment. This would bring an "urgently needed boost" to the German financial scene.

The lobbying by investment fund managers and proponents of Anglo-Saxon type pension funds has yet to produce results from Bonn politicians. But Mr Strenger speaks of a "fresh breeze" in the pensions debate and the investment community hopes this will stimulate politicians into action.

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## INTERNATIONAL COMPANIES AND FINANCE

## AMERICAS NEWS DIGEST

**Apple Computer cancels dividend**

Apple Computer, the struggling US personal computer manufacturer, said yesterday it would not pay shareholder dividends in the current quarter and did not anticipate reinstating its regular payout "in the near future". Apple had been paying a quarterly dividend of 12 cents a share.

Earlier this month, the company announced it expected operating losses for the current quarter to be "significantly" greater than the \$65m operating loss for the first fiscal quarter ended in December. It also plans to take restructuring charges, and charge to write down excess inventories in the current quarter. Despite the dividend announcement, made in a filing with the Securities and Exchange Commission, Apple's share price rose slightly yesterday to trade at \$284 in mid-session, up from Monday's close of \$283. *Louise Kehoe, San Francisco*

**Brazilian funds in mining deal**

A group of Brazilian pension funds has completed a \$360m deal to form the country's second-biggest mining and metallurgy company, with projected profits in 1996 of \$100m on turnover of \$855m. The funds have acquired control of Paranaopanema, one of the world's biggest producers and exporters of tin, Carajás, a copper producer; Parábruma, a zinc producer, and Elmina, a maker of copper, bronze and brass products.

Control of the new company is held by five pension funds led by Banco do Brasil's Previ. Steelmaker CSN has joined the funds with an undisclosed stake believed to be about 8 per cent. Brazil's biggest mining company, government-controlled Companhia Vale do Rio Doce, is expected to take a 10.5 per cent stake following government approval. South African mining group Anglo American is considering taking a stake of about 8 per cent.

The company is provisionally known as the Brazilian Non-Ferrous Metals Company, or CEMNF.

*Jonathan Wheatley, São Paulo*

**PW and Sedgwick join forces**

Price Waterhouse, one of the "Big Six" accountancy firms, is to form a joint venture with Sedgwick, the international broker, to offer "one-stop" risk management services to clients. The Risk Strategies Group has so far cost £500,000 (\$826,000) to set up and will be based at Price Waterhouse's offices in London.

The long-term aim is to build a global risk management business, although initial marketing will be focused on Europe and the UK. A small core group will assess the needs of clients. All work will be fee-based and profits returned to the parent organisations on a pro rata basis.

Brokers and accountants have been in the forefront of attempts to break into comprehensive risk management - identifying possible costs to which companies may be unnecessarily exposed and making proposals for reducing those risks or insuring against them. The rapid increase in cross-border risks to which multinational companies are exposed, especially with the advent of technology in systems and trading, has created a potentially huge market.

*Jim Kelly, Accountancy Correspondent*

**Corimon shares suspended**

Venezuela's National Securities Commission has suspended for 30 days trading of shares of Corimon, the paint and coatings group, because it appears unable to comply with its debt obligations. The commission said the group had also failed to provide financial information on its last order activities, as required by capital markets regulations.

Corimon's financial problems surfaced last month when it failed to make an interest payment to holders of eurobonds. It is currently negotiating with creditors to reschedule its US\$15m debts, of which 80 per cent are due to mature within a year.

*Raymond Colitt, Caracas*

**Greyhound takes to the air**

Greyhound Lines of Canada plans to use its extensive bus operation as a springboard for a new low-fare airline. The airline, to be known as Greyhound Air, will be operated by a British Columbia air charter company, which will add six Boeing 737s to its fleet. Services will initially focus on western Canada.

Greyhound Canada, which no longer has any direct links with the US bus operator of the same name, will handle marketing and sales. Bus stations will be used as reservation and check-in points.

*Bernard Simon, Toronto*

**Compaq adds Internet facility to servers**

By Paul Taylor

Compaq Computer, the leading supplier of personal computers, is set to challenge Sun Microsystems' dominance of the market for Internet servers, which are used to publish material on the World Wide Web and handle Internet traffic.

Mr Eckhard Pfeiffer, president and chief executive, said yesterday that every Compaq server shipped would have Internet server capabilities. Speaking at the group's annual briefing in London, Mr Pfeiffer

said Compaq planned to include Microsoft's recently announced Internet Information Server, Netscape's Commerce Server and Novell's NetWare Web Server with each server shipment.

He also confirmed that Compaq was looking closely at the possibility of producing a low-cost "network" computer which would allow simple access to the world of the Internet. However, he said multi-function PCs would continue to dominate and drive the Internet market, and expressed doubts about

whether a specialised Internet PC could be produced for \$500. "This project needs very solid market definition. You can't just put hardware out there and expect to sell it," he said.

The Web server software, meanwhile, will enable Compaq's corporate customers to create and manage Web sites for both external Internet and internal intranet applications.

The move marks an aggressive push by Compaq, which is already the largest supplier of general purpose servers built

around Intel microprocessors. The Internet server market has been dominated until now by machines running on Risc chips.

Last year about 132,000 Internet servers were shipped, according to International Data Corporation figures. Of these, 119,000 were Risc-based machines. However, most industry analysts expect a substantial shift to Intel-based servers by the end of the decade.

By providing Internet server capabilities on all its server machines, Compaq believes

it will be able to meet the needs of a wide range of customers.

At the same time, Compaq and Netscape Communications said they had agreed to a long-term strategic partnership designed to maximise compatibility between their products. Netscape said future Windows NT-based Netscape products would be designed and engineered to support Compaq SmartStart.

They said the partnership also included collaborative development and marketing activities.

**Nasdaq deflection seen as coup for NYSE**

By Maggie Urry in New York

The rivalry between the New York Stock Exchange and the Nasdaq automated over-the-counter market intensified yesterday when the NYSE trumpeted a decision by Bay Networks to switch its share listing to the Big Board.

Bay, a provider of networking products and services, has a market value of more than \$3.5bn and its move was seen as a coup for the NYSE.

Mr Andy Ludwick, president and chief executive of Bay, said: "Our objective is to reach the broadest possible base of investors, both domestically and internationally, and to provide them with the greatest possible liquidity. Our move to the NYSE will help us to achieve these goals."

Bay's decision may have been influenced by the fact that it is a large supplier of technology to the NYSE.

Mr Richard Grasso, chairman of the NYSE, said he was "thrilled" by Bay's move. He said Bay was joining "a prestigious list of high-technology companies whose shares enjoy the worldwide visibility and liquidity that only the NYSE's auction market can provide".

This was regarded as a criticism of the Nasdaq, which has a high proportion of well-known technology companies on its lists, including Microsoft, Intel and Apple Computer.

Nasdaq said it was sorry to see Bay leave, and it wished the company well. It said since Bay floated on Nasdaq in July 1991 with a market capitalisation of \$812m, it had done "extraordinarily well" on the market.

The rivalry between the two exchanges stems in part from their different methods of trading shares, with each regarding their system as superior. On the NYSE, buy and sell orders meet through a single specialist, setting a price based on supply and demand. On the Nasdaq, market-makers compete with each other to offer the best price through a computer network. Bay's shares are quoted by 33 market-makers.

Nasdaq has been a thorn in the flesh of NYSE since its establishment 25 years ago. It has grown to be the second-largest stock market in the world, although its \$1.200bn market capitalisation is still well below the NYSE's \$4.000bn.

However, Nasdaq has come under scrutiny since a report published in early 1994 suggested its market-makers collude to set prices. Investigations by the Securities and Exchange Commission and the Justice Department have not yet been completed.

**Duratex profits rise by 10% to R\$30.5m**

By Jonathan Wheatley

In São Paulo

Duratex, Brazil's biggest manufacturer of hardboard and bathroom accessories, reported net profits of R\$30.5m (US\$31.4m) for 1995, 10 per cent higher than in 1994 despite a slowdown in the economy during the second half of last year. Turnover was R\$26.9m up from R\$21.8m in 1994.

The company's shares slipped 0.6 per cent in São Paulo, bucking a rise for the market index.

Mr David Wheeler, an analyst at Bear Stearns in Brazil, said the result was

broadly in line with expectations but "slightly disappointing".

Operating profits were also helped by financial gains, up from R\$17m to R\$23.7m. Mr Plínio do Amaral Pinheiro, Duratex's managing director, said the company had about R\$50m cash in excess of liabilities.

Mr Pinheiro said the company expected turnover in 1996 to stay at "about the same level" as last year, although better-than-expected sales so far this year meant this estimate could be overtaken.

Turnover per employee increased from R\$73,500 to R\$79,400 - thanks

partly to a restructuring programme begun in 1990 which had cut staff from 14,000 to less than 7,200.

Volume sales in the wood products division increased by 9 per cent over 1994, and in the bathroom accessories division by 15 per cent.

The company invested US\$56.1m last year as part of a US\$305m investment programme for 1995 to 1997. Projects include constructing a new factory to make medium density fibreboard and buying an Argentine company, Plaza Hermanos, a maker of metal bathroom fittings.

Duratex is preparing to manufacture

bathroom furniture in Argentina at a new plant that is scheduled to produce 20,000 items a year from the end of this year.

The company is also planning to build a factory in Brazil which will produce an additional 50,000 items a year.

Exports in 1995 were worth US\$71.9m, up by 10 per cent over 1994.

Mr Pinheiro said the strength of Brazil's Real currency against the US dollar led the company to look for ways to cut export costs, which included buying a warehouse in Baltimore to supply customers in the eastern US and Canada.

**Building security against no-snow days****Ski resort operators are moving into property sales and management, writes Bernard Simon**

**I**t has been a winter to remember on North America's ski slopes. From British Columbia to Colorado, Vermont and Quebec, heavy snowfalls have produced nearly perfect conditions. And when skiers are happy, so usually are the resort operators who provide their lifts, tickets, accomodation, meals, and

which also has a stake in three Colorado resorts.

The number of ski areas in North America has shrunk from about 1,200 in the early 1980s to fewer than 500 now. Many small resorts, typically family-owned, are seeking a buyer or a partner with financial muscle and marketing skills. Intrawest has bought interests in three properties in the past two years. The latest deal, concluded last month, is a 33 per cent stake in Mammoth Mountain, a large resort in central California.

Resort operators still earn a large chunk of their profits on the slopes, selling lift tickets, food and equipment. But property development and management has become an important part of the ski business.

For the operators, however, the euphoria of the winter of 1995 is tempered by a sense that the thrill of a perfect downhill run is giving way to an uphill struggle for profits.

"You can't lose the passion: people have to have fun," says Mr Daniel Jarvis, chief financial officer of Intrawest, a Vancouver-based company that claims to be North America's biggest ski resort operator. But, Mr Jarvis adds, "at the back of the house, you have to manage very effectively. Our mission is to make our life much less dependent on weather conditions."

The drive to bring down costs and insulate resorts against the vagaries of the weather are changing the ski business. "It's a business where you need resources to grow," says Mr Joe Micheletto, head of resort operations at Ralcorp, the St Louis-based cereal company spun off two years ago by Ralston Purina

Tremblant resort in Quebec. Intrawest hopes the chain's resources and computerised global reservations systems will help keep the resort full throughout the week.

The company sees total property sales doubling in 1996 from last year's C\$37m (US\$27m). Ralcorp and Intrawest expect to sell 200 units a year at Keystone in Colorado.

The operators benefit not only from selling townhouses and condos, but also by helping the new owners rent their properties to visitors. Typically, they charge a management fee equal to half the rent.

Mr Frank Mayer, analyst at James Capel Canada, has urged investors to buy Intrawest shares for "superior growth" over the next three to five years.

Intrawest's shares, trading at C\$14 on the Toronto Stock Exchange, are still well below Mr Mayer's one-year target of C\$18. Mr Jarvis blames

lingering concern over Intrawest's sizeable holdings of non-resort properties in British Columbia and Washington state. The company is disposing of most of these properties.

However, enthusiasm for the ski resort business is by no means universal. According to

both Intrawest and Ralcorp, sellers far outnumber buyers.

One Toronto real estate financier says property sales and management fees will ensure healthy cash flows for the time being. But he cautions that the operators could be hit in the longer term if property buyers become disillusioned by high fees or the illiquidity of their investment.

Ralcorp says it is taking care not to repeat the mistakes of the 1980s property boom. It has a policy of not building in a new area until at least half the properties have been sold. Mr Micheletto says that prices at Keystone, which range from about US\$250 a square foot for a townhouse to more than \$300 for a condominium, are currently higher than expected. Properties in fashionable

resorts, such as Vail and Aspen, change hands for as much as \$1,000 a square foot.

A ski resort's biggest risk remains the weather. Explaining why Ralcorp has chosen to concentrate on its cereals business, Mr Micheletto notes that the operators could be hit in the case that "put a risk in the cash flow that you typically don't find in a food company".

Operators are looking to ensure that resorts thrive even without the snow that has them smiling this year. Some have invested in snow-making equipment. They have also added non-ski activities, such as conference centres and golf courses, for summer visitors.

The aim is to complete a virtuous circle in which improved year-round facilities help attract property buyers, no matter what the weather.

**THE PAKISTAN FUND 1995 INTERIM RESULTS**

**CHAIRMAN'S STATEMENT**

Over the last period from 1st January to 31st December 1995, the net asset value of The Pakistan Fund declined by 17.6% to US\$14.05 when the Karachi Stock Exchange Index fell by 15.5% in US dollar terms. Less liquid smaller capitalisation stocks have underperformed the larger stocks in the prolonged market downturn. The reconstitution of the benchmark KSE index to include mostly larger companies in December 1994, resulted in the Fund having a higher weighting in smaller companies relative to the Index and therefore the portfolio suffered some underperformance.

During the period under review the Pakistan Rupee depreciated against the US dollar by 7.5% in late October 1995 confirmed in this.

The Pakistani Rupee in KSE has shown no signs of appreciation and economic activity seems to be slowing down. Therefore, the stock market has continued to drop sharply to a level which should provide good support. With valuations now quite reasonable, the Pakistani stock market should eventually benefit when domestic liquidity improves and from any inflow of foreign investors' funds.

M.S. Wadia  
Chairman  
13th February 1996

FINANCIAL HIGHLIGHTS		
31/12/95	31/12/94	
Net Asset Value	US\$14.05	US\$17.00
Net Asset Value per share	5.06	6.17
Revenue Account	Half-year ended	Half-year ended
Net Income	215,793	172,690
Interest on deposits	15,544	13,775
Subscription/repurchase charges	9,215	50,816
Less: Whidbey tax	31,367	24,900
Expenses	207,165	213,841
Less for the period before equationalization	(50,698)	(49,898)
Equationalization	(4,855)	(6,150)
Less for the period	(55,553)	(48,048)
Less per share	(0.025)	(0.025)

LOSS PER SHARE

The calculation of loss per ordinary share is based on the loss for the period of US\$0.553 (1994: US\$0.550) and weighted average of 3,654,044 (1994: 4,444,667) ordinary shares in issue during the period.

**DISCLOSURE**

The Board of Directors does not recommend the payment of an interim dividend (1994: nil).

**PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the period, the company repurchased 23,269 ordinary shares at prices ranging from US\$14.90 to US\$16.54. Subscriptions and redemptions are made monthly at Net Asset Value per share plus/minus a dealing charge.

**CODE OF BEST PRACTICE**

None of the Directors of the Company is aware of any information which would reasonably lead him to believe that the Company does not conform with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, at any time during the six months ended 31 December 1995.

**DISCLOSURE OF INTERESTS**

As at 31 December 1995, Sajid Mirza had a direct interest in 2,000 shares of the Company. Apart from the foregoing, none of the other directors had an interest, either beneficially or non-beneficially, in the share capital of the company.

By order of the Board  
INTERPERSON (CARIBBEAN) LIMITED  
Secretary  
Hong Kong, 13th February 1996

A copy of the interim report and any further information is available from the Assistant Secretary, Inter

## INTERNATIONAL COMPANIES AND FINANCE

## ASIA-PACIFIC NEWS DIGEST

**TNT in talks over Ansett stake sale**

TNT, the Australian transport group, said yesterday that it was talking to both Air New Zealand and Mr Rupert Murdoch's News Corporation about a possible restructuring of its plans to sell its 50 per cent interest in Ansett, the Australian airline, to Air NZ. The other 50 per cent of Ansett is owned by News.

TNT's initial plan was to sell its stake in two tranches for a total of A\$425m (US\$300.5m). But this scheme has run into problems with New Zealand's Commerce Commission, its antitrust watchdog, which is worried that competition in New Zealand's domestic airline market could be undermined.

Ansett's New Zealand and Air New Zealand are the two main carriers, and the commission has rejected Air NZ's plans to "ring-fence" Ansett New Zealand if it acquired a large stake in Ansett.

Yesterday, TNT said it had now been asked to consider a non-phased sale of its entire interest to Air NZ, but that details of price and the transaction's structure had not been agreed.

Nikki Tait, Sydney

**BHP lifts Tubemakers offer**

Broken Hill Proprietary, the Australian resources group, yesterday lifted its bid for Tubemakers, the Sydney-based heavy engineering company - winning the support of its target.

BHP said it would now make a cash offer of A\$1.10 for each Tubemakers share, up from its original bid of A\$1.05. Tubemakers shareholders would also get a fully-franked dividend of 33 cents a share. The increased cash element of the bid values the target company at A\$1.15bn (US\$867m).

BHP already owns a 45.5 per cent interest in Tubemakers, and its bid was guaranteed to succeed from the outset, given that Japan's Sumitomo, which holds a 19.3 per cent interest in the engineering company, had said it would accept.

However, Tubemakers' independent directors had been pushing for better terms from BHP, claiming that the original offer undervalued the company and its prospects. Yesterday, they said that they were now recommending acceptance.

Tubemakers shares - suspended briefly before the announcement - closed 22 cents higher yesterday at A\$4.42 in the wake of the higher offer.

Nikki Tait

**Strong advance for Giordano**

Giordano, the Hong Kong based Asian fashion retailer, yesterday demonstrated its ability to buck the downturn in consumer spending by posting a 28 per cent increase in net profits, from HK\$195.3m in 1994 to HK\$260.2m (US\$33.35m) in calendar year 1995.

Growth last year, which was broadly in line with market expectations, was driven primarily by retail sales in China and manufacturing operations, the company said.

The results vindicate company denials that a series of disagreements between founder Mr Jimmy Lai and Beijing would harm operations in the mainland, and demonstrate the increasing importance of China to Hong Kong's retailers.

Sluggish retail conditions in markets such as Taiwan dampened overall growth. Reflecting the different retail environments, the group plans to further develop China, Korea and Thailand - which it believes will be among its top-ranking markets in the coming years. India and Indonesia will be covered in the near term.

Earnings per share rose 25.5 per cent, from 90.9 cents in 1994 to 22.5 cents last year. The directors are recommending a dividend of 9 cents a share, up from 7.5 cents last year.

Louise Lucas, Hong Kong

**Mayne-Nickless warns again**

Mayne-Nickless, the Australian transport, security and healthcare group, yesterday repeated a warning that profits for the first half of 1995-96 will be down on the same period a year ago. Mr Ian Webber, chairman, told shareholders at an extraordinary meeting that the group expected earnings before interest and tax to be "marginally" higher on "similar" revenues.

"The net profit, however, will be lower... primarily because of an increase in our interest expense," he said. "That stems from ceasing to capitalise interest on our Optus investment from April 1995."

Optus is Australia's second telecommunications carrier, and is owned by a mixture of Australian institutions and a number of foreign and domestic corporate investors, including Mayne, and the UK's Cable and Wireless.

Nikki Tait

**Singapore Telecom drops Irish bid**

Singapore Telecom said it had dropped its bid for a 30 per cent stake in Ireland's telecommunications operator Telecom Eireann. Singapore Telecom spokesman Mr Ivan Tan said the company would instead concentrate its European activities on Belgacom.

Singapore Telecom has a 28 per cent stake in a consortium which bought a 49.9 per cent stake in Belgacom. He said the company will decide on future investments on a case-by-case basis.

AFX News, Singapore

**Leighton Holdings ahead**

Leighton Holdings, the Australian construction group whose projects include the new permanent Sydney casino complex, yesterday posted a 23.4 per cent increase in after-tax profits in the six months to end-December, at A\$27.1m (US\$20.43m). Revenues were 16.2 per cent higher at A\$1.05bn.

Nikki Tait

**JCI Limited****Western Areas Gold Mining Company Limited**

(Registration number 59/1995/86)  
("Western Areas" or "the Company")  
(Incorporated in the Republic of South Africa)

**RESULTS OF ELECTION TO RECEIVE AN INTERIM DIVIDEND INSTEAD OF THE CAPITALISATION AWARD AND AN ELECTION TO SUBSCRIBE FOR NEW SHARES**

The right of election to receive an interim dividend instead of an award of capitalisation shares ("the Capitalisation Award") and the right of election by those shareholders electing the dividend to apply the dividend in subscribing for new Western Areas shares ("the Subscription") made to ordinary shareholders registered at the close of business on Friday, 5 January 1996 ("the record date"), closed at 16:00 on Thursday, 8 February 1996. The weighted average traded price of Western Areas ordinary shares on The Johannesburg Stock Exchange on Thursday, 8 February 1996 was R62.25. Accordingly, the award of capitalisation shares and the subscription for new shares was determined as a ratio of 1.549396 new shares for each 200 shares held on the record date.

Elections to receive the interim dividend of 40 cents per share in respect of the six months ended 31 December 1995 instead of the Capitalisation Award were received in respect of 60,767,458 shares. Accordingly, an interim dividend of 40 cents per share was declared on 13 February 1996 on 60,767,458 ordinary shares in respect of the six months ended 31 December 1995. Elections to apply this dividend in subscribing for new shares in Western Areas were received in respect of 50,593,080 of these shares. An amount of R20,297,232.00 was therefore applied in terms of the Subscription. Accordingly, 540,410 new fully paid Western Areas ordinary shares of R1 each have been allotted in terms of the Capitalisation Award and the Subscription and the issued share capital of Western Areas has been increased to 90,111,584 ordinary shares.

The listing of 540,410 new ordinary shares in Western Areas will commence on The Johannesburg Stock Exchange from the commencement of business on Wednesday, 14 February 1996.

The offer by JCI Limited to acquire the new ordinary shares in Western Areas was accepted by shareholders in respect of 15,093 shares.

Cheques in respect of the interim dividend and shares sold for the benefit of shareholders, as well as share certificates, will be posted to shareholders on Wednesday, 14 February 1996.

Johannesburg  
14 February 1996

By John Riddif in Hong Kong

South China Morning Post Holdings, publisher of Hong Kong's leading English-language daily, yesterday launched a HK\$1.15bn (US\$148m) bid for TVE, the property and media group in which Mr Robert Kuok, SCMP chairman, already holds a significant stake.

TVE, which was valued at HK\$1.09bn when its shares were suspended on Monday, said it would consider the offer and that it intended to appoint independent financial advisers to assess the bid.

If successful, the two-for-one share-swap offer would extend SCMP's interests into Chinese-language publishing through the acquisition of titles ranging from TV Week, the listings guide, to Amoeba, a youth magazine. Mr Kuok, the con-

trolling shareholder in SCMP, is also thought to be attracted by TVE's property holdings.

But the investment community was divided on the merits of the bid. "It gives them a foothold in the Chinese-language press, but most of TVE's assets don't have obvious benefits for SCMP," said one media analyst. "Everything will depend on what they get for the disposals which would seem certain to follow an acquisition."

Another industry analyst expressed dismay. "I don't see the logic in this. Mr Kuok will benefit, perhaps, because he will be paid for his shareholding in TVE, but I don't see many other benefits."

For some, the motive for the bid is to wind up TVE, which was formed in 1988 in a spin-off from TVB, the broadcasting group. Since then, the group

has continued as an investment holding company, with little connection between many of its interests.

From the leasing of kiosks on the metro to the production of TV commercials and travel services.

per share fell from 8.67 cents to 7.91 cents.

The shareholding structure is dominated by two groups. Shaw Brothers, which is controlled by Sir Run Run Shaw, holds just over 30 per cent of TVE's shares. Kerry group companies, which combine some of Mr Kuok's investment interests, hold a similar stake.

Shares in both groups remained suspended yesterday. TVE's shares had risen sharply on Monday, gaining 6 per cent to HK\$2.60. Last week they advanced almost 30 per cent.

SCMP declined to comment on how it would finance a bid, although the disposal of its old headquarters has given it a strong net cash position. An exceptional gain of HK\$1.61m on the sale helped raise net profits by 43 per cent to HK\$42.8m in the six months to the end of last December.

**Akbank profits surge 84% for year**

By John Barham in Ankara

Akbank, Turkey's largest private bank, announced an 84 per cent increase in 1995 pre-tax profit yesterday, largely because of its holdings of high-yielding treasury bonds.

Akbank, part of the family-owned Sabanci industrial conglomerate, said pre-tax profits rose to \$461.95m, up from \$254.66m in 1994.

Mr Hakan Çankaya, an analyst at Demirbank, an Istanbul bank, said Akbank's strong performance in part reflected poor results in 1994, when the financial industry was hit by a heavy devaluation and a big rise in interest rates that pushed Turkey into its worst recession to date.

Although the economy recovered strongly last year, with an increase in corporate lending, Akbank earned most of its profits from trading government paper.

Despite the bond market's profitability, some bankers say privately they fear the government could impose a unilateral restructuring of its local currency debt, estimated at \$25bn.

Although its debt is small compared with the GNP of \$163bn, the government has had to accept ever-shorter maturities and rising interest rates, partly a reflection of the current political uncertainty. Bankers add that poor debt management has further worsened the government's financial problems.

**South China Morning Post bids for TVE****How they match up**

has continued as an investment holding company, with little connection between many of its interests.

A more difficult retail environment has prompted a decline in the company's results. In the six months to the end of June last year, net profits were HK\$33.2m, compared with HK\$36.4m in the corresponding period. Earnings

**Reliance set to raise \$260m for Gujarat refinery**

By Shrawan Sidhu in New Delhi

Several potential euroissuers, including some from public sector companies like Videsh Sanchar Nigam (VSNL), the government-owned international telecommunications company, the Steel Authority of India and the Indian Oil Corporation, have been postponed in the last year, waiting for market conditions to improve.

Last year, only three Indian companies - Indian Hotels, Himachal Futuristic, and Ashok Leyland - raised money on the GDR market, and analysts had predicted the market would remain subdued until after the election.

Analysts say Reliance's decision could spur at least three

other companies to launch euroissuers in the first half of 1996. These include BSES (Bombay Suburban Electric Supply) Limited, which has received government approval to launch a \$125m euroissue; Global TeleSystems; and Indo Rama Synthetics, a textiles company.

Experts say Reliance's decision to launch before the elections is bold. "There has been a good demand in the market, which was down 40 per cent at one stage [in September 1994]," says Mr Pravin Shah, executive director of Morgan Stanley India securities. "The market has averaged an increase of more than 20 per cent in the

last few weeks, and companies are bound to react positively to this."

Mr Surinder Kathpalia, an equity capital markets analyst at James Capel and Company, said: "The surge in the stock market over the last two weeks because of strong support from foreign institutional investors, a liquidity crunch in the domestic markets and a limited supply of GDR paper has left companies with few options but to tap the international markets."

But most analysts agree the current stock market rise is not sustainable in the run-up to elections. "Fund managers are going to wait and watch

the political outcome before they commit themselves," one investment banker said.

Other bankers said Reliance's decision could only boost the market. "Reliance will raise money from long-term investors in the European and London markets, who are convinced political uncertainty will not derail India's reforms, and who are looking at the long-term prospects of investing in a particular industry," one Bombay-based investment analyst said.

"India's place in the world economy is being increasingly recognised, and it is just waiting in the wings to begin attracting serious money."

**Egypt bank to seek listing through GDRs**

By James Whittington  
In Cairo

Egypt's top performing bank, Commercial International Bank, is seeking a listing on the New York Stock Exchange later this year through an issue of Global Depository Receipts. If successful it will be the first Egyptian company to be listed outside Egypt.

CIB is the largest and one of the most actively traded companies on the Cairo Stock Exchange with a market capitalisation of about E£2bn (\$587m).

Its main shareholders are the state-owned National Bank of Egypt, which has 42 per cent, and the International Finance Corporation with 6 per cent. The remaining equity is held by some 12,000 local and foreign shareholders.

The bank reported unaudited net profits for 1995 of E£218m, compared with E£205m in 1994, whereas analysts were expecting about E£230. Mr Labban said margin pressure caused by a lower interest rate environment had slowed profit growth, but that the bank's overall performance had been strong.

A number of international financial institutions are in talks with CIB to arrange and place the GDR and a decision is expected to be announced in mid-March.

The aim of the listing is to increase our visibility by providing easy access to our stock," Mr Labban said.

Since its public share offering in Cairo on September 1993, CIB has been a star performer on the Cairo Stock Exchange with its share price rising from an issued price of E£260 to a high of E£611 in

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**3,890,000 Shares**

**MBIA Inc.**

**Common Stock**

**700,000 Shares**

The above shares were offered outside the United States and Canada by the undersigned.

**Donaldson, Lufkin & Jenrette Securities Corporation**

**Goldman Sachs International**

**Lehman Brothers**

**Smith Barney Inc.**

**CS First Boston**

**Fox-Pitt, Kelton N.V.**

**Société Générale**

**Bankers Trust International Plc**

**Conning & Company**

**Deutsche Morgan Grenfell**

**Paribas Capital Markets**

**3,190,000 Shares**

The above shares were offered in the United States and Canada by the undersigned.

## COMPANY NEWS: UK

Fourth-quarter dividend increased by 6% after 36% rise in full-year profits before exceptions

## 'Sustained self-help' lifts BP to record £2.01bn

By Robert Corzine

British Petroleum yesterday increased its fourth quarter dividend by 6 per cent as it reported a 36 per cent rise in profits last year to a record £2.01bn, before exceptions.

Fourth quarter replacement cost profits, which strip out the effects of oil price changes, were £50m.

But a previously announced exceptional charge of £67m to cover refinery rationalisations resulted in a £16m loss.

In announcing a 45 per cent

rise in the dividend for the year to 15.35p, Sir David Simon, chairman, said the company was "delighted to be back on course".

Yesterday's dividend rise meant the payout was now above the level at which it was cut during the 1992 boardroom crisis.

Last year's performance was boosted by higher oil prices and buoyant demand for chemicals for much of the year.

But Mr John Browne, chief executive, stressed that "sustained self-help" contributed

more to the performance improvements than external factors.

A fourth quarter operating profit of £579m helped raise full-year operating profits for the exploration and production division to £1.8bn, 17 per cent up on 1994.

Executives said volumes should increase substantially this year as new oil fields come on stream in the UK and the US Gulf of Mexico around the third quarter.

The net income per barrel of oil equivalent produced for the year was \$4.25, against \$3.37 in

1994, a result that put BP well ahead of most other leading oil companies, said executives.

Chemicals had a record year, with the company targeting fast growing markets in Asia. Full-year operating profits were £854m, but fourth quarter profits of just £127m against the third quarter's £225m reflected a softening of worldwide margins at the end of 1994.

Executives said there have been some signs of improvement in the US.

But markets are "likely to remain relatively softer in the

near term," with broader improvements expected only later in the year.

The outlook for refining remains grim, said executives. Refining operations made a loss in the quarter, although marketing helped the overall downstream division to return an operating profit of £63m (£122m) for the quarter and £405m (£545m) for the year.

In recent months BP has been rationalising its worldwide refining assets by closing poor performers and investing in the company's best units.

But Mr Browne said: "We have

a very cautious view on refining margins. Overcapacity will continue to hit margins in the next few months."

Capital spending for the year rose 13 per cent to £2.85bn, while strong cash flow allowed BP to reduce its net debt by more than £2bn to \$8bn.

Mr Browne said the company would pursue "disciplined, quality growth".

Investment would be funnelled only to the very best opportunities.

He is to announce new financial performance targets for the company in March.

## LEX COMMENT

## BP

British Petroleum shares have outperformed the market by 50 per cent over the last two years, so it is not surprising that some investors are eager to take profits.

Yesterday, following a mildly disappointing set of fourth quarter results, was seen by some as the appropriate time to do so. The clouded outlook for the oil price and chemicals did not help. Nor - with refining horribly over-supplied and marketing profits down - did downstream earnings.

But investors should keep a source of cash flow basis they are comfortably in line with BP's peers; at 13 times next year's earnings, they even look a little cheap. Moreover, there is no sign of a slowdown in BP's formidable productivity drive. On the contrary, the recent decision to close several underperforming refineries suggests BP's management retains its edge. One problem, though, has not been properly tackled: the company's excessively low dividend.

BP is throwing off phenomenal amounts of spare cash: £1.5bn in 1995, after tax, dividends and capital spending. Even next year, after investment has been stepped up further, the figure will be around £700m. Moreover BP has already got its debts down to its \$8bn target - not high for a business capitalised at nearly \$50bn. With borrowings under control, the company should either use its spare cash for further investment or hand it back to shareholders through higher dividends or a share buy-back. Yesterday's small dividend increase is nothing like enough.

**Farnell vote on Premier will be close**

By William Lewis

Tomorrow's vote of Farnell Electronics' shareholders on whether to approve the company's proposed £1.8bn takeover of Premier Industrial Corporation will be close. Farnell said:

Two institutions have publicly stated that they will voting against the deal at the extraordinary meeting. Others have privately said it is their intention to vote against.

The deadline for shareholders' proxy forms was yesterday.

Earlier this week Farnell said that forms of proxy received show an overwhelming majority of shares voted in favour of the proposed acquisition.

**IBM deal boost for Superscape**

By Paul Taylor

Shares in Superscape VR, which were floated at 18p in April, closed 75p higher at 23p yesterday following the announcement.

The company, based in Hook, Hampshire, is one of three quoted UK companies involved in the rapidly growing market for interactive virtual reality products.

All three, Superscape, Dimension and Virtuality, have benefited from the growing interest in VR technology for games and entertainment, training, modelling and other activities.

Under the terms of the new agreement with IBM, the US computer group will market and sell Superscape's virtual reality software and related services throughout Europe, the Middle East, Africa and the former Soviet Union.

Agreements covering Asia Pacific and North and South America are due to be finalised in the next few weeks.

Mr Tony Tuck, managing director of Superscape, said: "This agreement with IBM is a key part of our strategy to develop partnerships with major industry players both to widen the usage of virtual reality and establish Superscape as the world's leading supplier of VR software."

Superscape's main product, called Superscape VRT, runs on personal computers and enables users to create complex virtual worlds.

In addition to promoting Superscape's PC-based virtual reality software to existing and potential customers, IBM will also be selling VR-related services including consultancy, world building and training. Working in partnership with IBM, Superscape will be responsible for providing the majority of these services.

## Chubb pulls back from Sun Alliance

By Ralph Atkins and Peter John

Sun Alliance, the composite insurer, faced a second setback in as many weeks yesterday when Chubb Corporation, its US partner, signalled the scaling-back of a relationship which provides a significant chunk of the UK group's premium income.

Chubb continues to look for fund management acquisitions to add to its £101m purchase of 80 per cent of John Gorrett and Co's agreement to buy Zirkin-Cutter Investments, a Washington investment business with £1.2bn (\$1.7bn) under management.

Chubb's intentions were disclosed by Mr Dean O'Hare, chief executive, at a conference in New York and prompted Sun Alliance shares to close 6p down at 36p.

Under the current arrangement, Sun Alliance takes 14 per cent of Chubb's US premium income and Chubb takes 7% per cent of its UK partner's worldwide non-life turnover.

Chubb's move follows a decision by Halifax, the UK's largest building society, to transfer the underwriting of household insurance policies from Sun Alliance to Royal Insurance. That cost Sun Alliance £160m in annual premium income.

The latest development fuelled speculation that Sun Alliance would step up efforts to find acquisitions that provided alternative income streams.

Media products sales advanced 9 per cent to £158m.

ries, or it has got to buy back its shares," said Mr Roman Cizdyn, insurance analyst at Merrill Lynch.

Loosening the Chubb connection gives Sun Alliance more scope for deals with a US connection which might have upset the US insurer.

The effect of the Chubb deal last year was to increase Sun Alliance's premium income by £100m, compared with forecast total non-life income of £2.5bn. Sun Alliance said the amount of business being swapped with Chubb was being reduced by a third this year and that Mr O'Hare had said the downward trend would continue, subject to annual review.

Although profit figures are not disclosed, Sun Alliance said the deal was meant to be neutral over time. Analysts, however, said the deal had worked in Sun Alliance's favour in past and could have again over the next few years as the expected downturn UK insurance began to bite.

Chubb's move was psychologically important, they said, because with the Halifax connection, the link is seen as one of the group's main strengths.

There were also fears that Sun Alliance might now make a rushed acquisition.

## Sir Rocco Forte and Olga Polizzi sell shares worth £24.7m

By Scheherazade Denehyku Leisure Industries Correspondent

Sir Rocco Forte, former chairman of Forte, the hotels group which was taken over last month by Granada, and his sister Ms Olga Polizzi have sold Forte shares worth £24.7m.

Sir Rocco raised £12.2m through the sale of 3.25m shares between January 22 and February 1, of which £4.3m was from the sale of 1.15m non-beneficial shares.

Ms Polizzi raised £12.4m, of which shares worth £4.3m were held non-beneficially.

The team is in the process of putting together presentations to banks and potential providers of equity.

The hotels which Sir Rocco has said he would like to buy are the upmarket Exclusive and Meridien hotels as well as Forte's 12 other London hotels and the 52-strong Heritage hotels chain.

Granada has said it initially wants to sell only the 103 Exclusive and Meridien hotels.

ada. Granada has received acceptances of more than 90 per cent of Forte shares and options worth £24.2m in the last week of January, of which £2.2m was from non-beneficial interests. It was disclosed yesterday.

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Further ahead, new orders

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The Ohmeda healthcare side reported a 10 per cent fall in operating profits, on sales down 7 per cent, thanks to weak sales of anaesthesia equipment. On an underlying basis, profitability had fallen by 1 to 2 per cent.

The vacuum business, however, continued to deliver

strong growth with a 56 per cent increase in operating profit to £18.4m on sales up 38 per cent.

Overall, sales rose 11 per cent in the first quarter, to £96.8m, lifting Earnings per share jumped 16 per cent to 13.23p (11.33p). The management team at BOC seems to be suffering a settling-in period in terms of managing expectations.

## BOC warns of slowdown in liquid gas sales in US

By Jerry Luebke

BOC, the industrial gases group, yesterday triggered market disappointment with a 13 per cent increase in pre-tax profits to £100.8m in the three months to December 31.

The shares dropped 14p to 228p.

Although the gases business, which accounts for two thirds of turnover, showed sales and

operating profits up 9 per cent, merchant sales of liquid gas fell in the US in December.

Mr Danny Rosenkrantz, chief executive, said this drop was "hard to read". The gas business would be depressed by a continued downturn in the US, he said, but the group had so far experienced a drop in sales during cold weather, which makes distribution harder.

Further ahead, new orders

had now moderated across the industrial gas industry, he said.

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## COMMODITIES AND AGRICULTURE

## Brussels expected to resist British dairy quota plan

By Deborah Hargreaves

The UK's request for European Union dairy quotas to be raised by 1 per cent is likely to be missing from the European Commission's package of farm price proposals published today.

The commission has made it clear that it will resist the quota increase and corresponding 5 per cent cut in support prices requested by Mr Douglass Hogg, UK farm minister.

Mr Hogg wants to kick off the debate over dairy quotas, which are due to be abolished in 2000. The UK Ministry of Agriculture said his proposal "would serve notice on the dairy industry that community prices must start falling towards world levels and would enable the quota regime to be relaxed without increasing expenditure or putting the

EU's Gatt commitments at risk".

The government believes that dairy prices can be reduced now because world market levels are high. But the commission plans to cut exports as a way of managing the market instead of trimming intervention prices for butter and skimmed milk powder.

"The minister thinks this is a nice sound bite to grab the attention of farmers," said an official from the National Farmers' Union of England and Wales. The NFU believes that a quota increase would just add to the structural surplus in the EU dairy industry, which is already operating at 12 per cent over-capacity.

Britain, however, is constrained by quotas to producing 85 per cent of its dairy needs.

Mr Hogg wants quotas to be progressively raised so that their value is reduced and farmers get used to producing for the market. The system could then be phased out in 2000.

The EU is due to begin a review of the dairy regime at the end of the year. The Danes and the French are pushing hard for a two-tier quota system similar to that which operates in the sugar market.

The two-tier system would mean that producers were allotted separate quotas for EU and export production. Milk production for the EU would receive a higher price than that for the export market, for which the world price would be paid. But the UK has serious reservations about such a system, believing it would be difficult and expensive to administer and open to fraud.

## NZ sheepmeat export squeeze forecast

By Deborah Hargreaves

New Zealand is unlikely to fill its quota for exports of sheepmeat to the European Union this year and next, according to Mr Laurie Bryant, European director of the New Zealand meat board.

New Zealand which is one of the EU's largest suppliers of

meat, has been allocated a quota of 226,700 tonnes of sheepmeat exports. But because of the pressures on land-use in New Zealand, numbers of sheep have fallen to 47.5m from a peak of 70m ten years ago.

Mr Bryant said that farmers were diversifying into dairying, which was more profit-

able, and some of the land was being turned over to forestry. Within the export numbers, he expected chilled lamb exports, particularly to Britain, to increase by around 10 per cent a year from the current 11,823 tonnes.

New Zealand's meat exports are worth £1.3bn a year - the highest earning export sector.

## Porgera likely to miss gold target

By Nikki Tait in Sydney

Output from the large Porgera gold mine in Papua New Guinea could be some 15 per cent below the original estimates for this year's production, the project's managers warned yesterday.

They had originally targeted 1995 output at around 1.1m troy ounces.

Placer Pacific, which manages the project on behalf of the three other shareholders, said yesterday that there had

been problems getting to some of the higher-grade stopes in the main underground body. This had already led to lower-than-expected production in the fourth quarter of 1995, but was likely to have a further impact on current year production.

The joint venture partners - who include Australia's Goldfields group, PNG-based Highlands Gold and the Papua New Guinea government, as well as Placer - were still trying to determine when these stopes

could be mined. "However, the joint venturers do not expect to gain access before the second half of 1996," it said.

Placer added that "although mill feed will be supplemented by lower grade ore from the open pit and lower grade stopes in the underground mine, the major impact from the reduction of forecast production is expected in the first half of calendar 1996". A more detail "re-estimate" of production would be released in about four weeks' time.

In a surprise move last week, Australia's High Court allowed

the joint venturers to proceed with

mining "subject to certain conditions".

Placer Pacific said the court's decision was "a significant step forward for the project".

Porgera is the world's largest undeveloped gold project.

Output is currently 1.1m troy

ounces a year.

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## INTERNATIONAL CAPITAL MARKETS

# Europe recovers but Italy plunges after hours

By Martin Brice in London and Maggie Urquhart in New York

European government bond markets recovered slightly yesterday, as the auction supply from the US began to reach end-investors, but Italian bond futures plunged nearly full point after the cash market closed on a statement from

**GOVERNMENT BONDS**

conservative leader Mr Silvio Berlusconi suggesting negotiations to form a government had broken down and an election would have to be held.

**German bonds** opened stronger on the back of Treasury gains overnight. There was support for the March future on Liffe at around 99 and it closed at 99.09, up 0.32. The yield on two-year paper fell by

1 basis point and that on 10-year bonds by 5 points, with the spread between the maturities settling at 283 points.

The yield spread of 10-year bonds over Treasuries rose by 2 basis points to 43 points. Analysts believe further gains will be limited ahead of further supply and the Bundesbank council meeting today.

**French bonds** followed bonds higher and on Matif the March future settled at 122.04, up 0.28 while March Pibor fell by 0.04 to 95.51. The curve flattened slightly ahead of the BTAN auction tomorrow, although analysts expect curve steepening in expectation of more interest rate cuts.

The yield on one-year paper rose by 2 basis points, while on 10-year bonds it fell by 5 points, with the spread between the maturities at 195 points. The spread over bonds rose 1 basis point to 41 points.

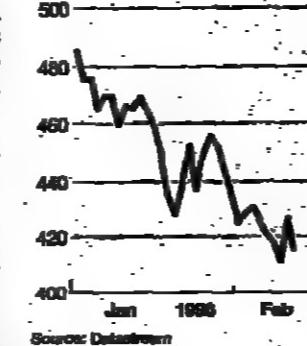
**Italian government bonds** traded well during the day, with the March future on Liffe advancing by 0.90 to 112.26 and the spread over 10-year bonds tightening by 14 basis points to 413 points. The curve flattened slightly, with the yield on two-year paper falling 9 basis points and that on 10-year bonds by 17 points, with the spread at 88 basis points.

However, a statement from Mr Berlusconi accusing Mr Massimo D'Alema, his rival, of wrecking the chances of forming a broad-based government sent the future plunging almost a full point in the early evening. Mr Berlusconi said an election was the "natural way" out of the crisis.

Mr Michael Dell, bond analyst at UBS, said: "People have moved towards an expectation that there won't be a government formed from these negotiations and that may mean an election."

**10-yr bond spread**

Italy minus Germany, basis points



**Swedish bonds** responded positively to the 15 basis point cut in the repo rate and the yield spread over 10-year bonds fell 4 basis points to 261 points. Spanish bonds also outperformed German bonds, with the yield spread over 10-year paper tightening by 13 basis points to 347 points.

**UK government bonds** underperformed bonds, with the spread over 10-year paper rising by 4 basis points to 164 points ahead of today's Bank of England inflation report. The March future on Liffe closed up 1% to 109.1.

**US Treasury bonds** drifted upward in continued quiet trading. Traders said technical factors helped to push prices higher and hedge funds were seen buying three-year paper.

The yield on the long bond was again approaching the psychologically important 6 per cent level.

Near midday, the new 30-year Treasury bond auctioned last Thursday was 4% higher at 99.22 to yield 5.007 per cent, while at the short end of the maturity spectrum the two-year note was up 1% to 100%, yielding 4.775 per cent.

Economic news gave little direction to the market, which

shrugged off statistics suggesting a stronger economy.

Treasuries ignored inflationary concerns raised by the employment cost index for the fourth quarter, which showed a rise of 0.5 per cent, making a total for the year of 2.9 per cent. Although this is the lowest level since the Labor Department began calculating the index in 1981, an acceleration in the last quarter of 1995 raised some concern that wage rates were rising, presaging higher inflation.

The Labor Department said the faster growth in 1995's last quarter, the highest rate since the first quarter of 1993, was due to increases in benefits such as health insurance.

Nor did the market react negatively to a rise in weekly chain store sales, recorded by the American Banker/Schroder Wertheim. This showed an increase in sales of 1.1 per cent in the week ended February 10.

# Idem to launch options on six Italian shares

By Antonia Sherpe

The Italian stock exchange's derivatives arm, Idem, is set to launch options on the bourse's six most liquid stocks next Monday as part of its drive to modernise the market and bring it into line with its foreign counterparts.

**DERIVATIVE INSTRUMENTS**

The options contracts will be based on the following stocks: Eni, the oil and gas company which was partially privatised last year; Fiat, the car company; Generali, the insurance company; and Stet, Tim and Telecom in the telecommunications sector.

Italy already has a traded options market but much of the trading is over-the-counter. Ms Simona Locatelli, an Italian Stock Exchange Council marketing official, said the new stock options would be more transparent and liquid than the traditional options market.

There will be nine market-makers — Citibank, BNP, Banca del Salento, Albertini, Deutsche Akros, Caboto, Inter sim and Mediasim.

The marketmakers will be obliged to make both bid and offer prices, thus providing a minimum of liquidity to the market.

Initially, liquidity will be divided between the two markets but Ms Locatelli said she expected orders to move gradually from the old to the new market.

Mr Matteo Amoretti, head of equity derivatives and arbitrage at Alberto, said the stock options market would be much safer because there is no counterparty risk.

The counterparty in the new stock options market will be the Cassa Di Compensazione E Garanzia, the Italian clearing house. By contrast, the counterparty risk in the old market can be high because counterparties deal directly with each other.

Idem also plans to launch stock options on the other 24 stocks in the MIB-30 Index, which is the base for futures and options contracts on Idem.

American-style stock options will be traded on a monthly and quarterly cycle. The minimum trading unit is 1,000 shares for each contract.

The bourse is also moving to full five-day cash settlement on all its approximately 320 quoted stocks on Friday, which should make the market more transparent and trading less risky. Settlement in Milan has been at the end of the stock exchange calendar month.

# Milanese bank raises \$150m

By Martin Brice

Landesbank Girozionale and Chemical Bank.

Centrobanca, the Milan-based Italian investment bank, has raised a \$150m seven-year loan at an interest margin of 25 basis points over Libor for the first five years at seven 2.75% points.

Joint arrangers are Banca Popolare di Novara, Bayerische

Landesbank Girozionale and Chemical Bank.

• A \$300m seven-year loan for Saint-Gobain, the French glass and materials group, has been arranged by ABN-Amro, Chemical Bank and Deutsche Morgan Grenfell, at Libor plus 12.5% basis points for the first five years, then 15 points over.

## Bayerische Landesbank brings 10-year offering for £300m

By Conner Middelmann

Another active day in the eurobond market saw two big sterling deals and the announcement of another large global dollar bond issue in the 10-year sector.

**Bayerische Landesbank**, the triple-A rated Bavarian state-backed bank, launched its long-awaited £300m offering of 10-year bonds, its largest transaction in the sterling market to date and its first senior issue in this sector.

Launched during Asian trading, the deal saw good demand in east Asia, which gave it good momentum by the time Europe's markets opened, said lead manager SEC Warburg. The bonds were priced to yield 25 basis points over the corresponding gilt, which was widely deemed as fair.

**INTERNATIONAL BONDS**

The bonds were placed mainly among UK institutions, which the issuer had targeted in an extensive roadshow last week.

A £250m five-year offering for Abbey National got a slightly cooler reception due to its tighter pricing, dealers said. However, the 25 basis point spread over gilts was maintained and lead manager Deutsche

Morgan Grenfell reported good sales into Germany and Switzerland — mainly to retail investors, although it also saw some UK institutional demand.

German investors, especially, are speculating on currency outperformance by sterling against the D-Mark in the event of further German interest rate cuts, said Mr Gareth Jones, Abbey's Treasurer.

Moreover, he said, the next few weeks will see more than 100s in euro-sterling swaplets, creating extra demand for sterling paper. In addition, Deutsche said, five-year sterling bonds offer a yield pickup of around 200 basis points over their German counterparts, at which level any "political risk" is fully discounted." Abbey National has not issued a sterling eurobond since February 1994.

Ontario's last dollar global was priced at 57 basis points over Treasuries and now trades at 48 points over, which is the spread that most dealers are expecting on the forthcoming issue.

Although Finland's \$1bn 10-year global bond was priced at the lower end of the range at 36 basis points over Treasuries, it attracted heavy demand and was oversubscribed, said arranger Morgan Stanley.

Among exotic currencies, GCC issued \$210m of 18% per cent debt bonds — though payment of coupons and principal occurs in US dollars due to Polish foreign exchange restrictions — via JP Morgan while Babcock Nederland issued £850m of 12% per cent South African rand bonds via Hambros Bank.

**WORLD BOND PRICES****BENCHMARK GOVERNMENT BONDS**

	Red	Green	Blue	Day's	Week's	Month's
	Coupon	Date	Price	Change	Yield	Yield
Australia	10.000	02/08	119.5479	-0.05	8.05	8.12
Austria	5.125	02/08	98.1600	+0.20	5.35	5.41
Belgium	7.000	02/08	103.1100	-0.230	5.67	5.65
Canada	7.875	12/05	112.8000	-0.540	6.92	7.11
Denmark	8.000	02/08	105.1200	-0.260	7.26	7.12
France	BTAN CAT	10/05	105.4793	-0.05	5.51	5.65
Germany	BUND CAT	02/08	102.8200	-0.280	6.08	6.05
Ireland	8.000	02/08	103.3500	-0.280	7.48	7.30
Italy	10.500	02/08	102.8300	-0.10	10.01	10.08
Japan	No 129	04/08	117.2040	-0.080	1.57	1.84
No 174	04/08	104/08	111.1840	+0.187	2.97	3.04
Netherlands	11.875	02/08	114.1600	-0.110	1.15	1.16
Portugal	11.875	02/08	114.1600	-0.310	0.47	0.50
Spain	10.150	01/08	103.6500	+1.120	9.82	9.74
Sweden	6.000	02/08	83.8440	+0.420	8.70	8.88
UK Gilt	8.000	12/07	104.18	-3.32	6.88	5.95
US Treasury	5.825	02/08	100.14	+0.622	5.57	5.55
EU (French Govt)	7.500	04/08	104.0100	+0.040	6.89	6.85

Yields Local market standard. \* Yields including withholding tax of 15% per cent payable by nonresidents. \*\* Price/£100. Source: ICAP International

**US INTEREST RATES**

	Treasury Bills and Bond Yields					
	Latest	1 Month	2 Month	3 Month	5 Year	10 Year
Prime rate	8%	8.00	8.00	8.00	4.81	4.81
Banks' base rate	8%	8.00	8.00	8.00	5.11	5.11
Federal funds rate	8%	8.00	8.00	8.00	5.00	5.00
Federal funds rate	8%	8.00	8.00	8.00	5.00	5.00

Source: ICAP International

**BOND FUTURES AND OPTIONS**

	NOTIONAL FRENCH BOND FUTURES (MATIF) FF100,000						
	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Mar	122.10	122.04	+0.26	122.20	121.92	90,231	143,826
Jun	122.20	122.16	+0.26	122.30	121.90	3,501	19,227
Sep	121.02	120.94	+0.26	121.02	120.86	1	

## MARKETS REPORT

**Franc slips as EMU talk frays market nerves**

By Philip Gash

It was a day of more talk than action on the foreign exchanges yesterday, with the French franc emerging as the main victim of a renewed bout of comments from senior German officials about the possibility of delay to the Euro-project.

The lira, by contrast, benefited from market optimism about the early formation of a new government, followed by a period of political stability. It finished in London at £1.061 against the D-Mark from £1.066. The franc closed at FF13.444, down against the D-Mark from FF13.459.

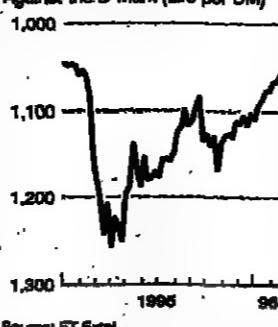
The dollar remained confined to recent ranges, closing at DM1.4725, Y105.555.

Sterling was a beneficiary of the generally weaker D-Mark, with little evidence of market nerves ahead of the market's Scott report tomorrow. It closed at DM2.2665, from

DM2.2541. It was also firmer against the dollar, closing at \$1.5334, from \$1.5309. The trade weighted index closed at 82.2, up from a historic low of 82.2 reached last November.

Mr Yves-Thibault de Silguy, the EU commissioner responsible for the single currency, took a different view saying that delaying the introduction of the Euro "would be the safest way to doom it to failure." He received some support from Mr Juergen Stark, state secretary to the German finance ministry, who said that it would be wrong to either soften the convergence criteria, or delay the start. He said the history of the European integration process had been for a small number of countries to start a project which others then followed.

He accepted the logic that there would be little point to monetary union without Germany and France, but said this did not imply the opposite. A "go-it-alone" effort from France and Germany would, he said,

Lira  
Against the D-Mark (Lira per DM)

tenday showed that "the franc is still the weak link in the EMU chain." He said the French would clearly welcome a weaker franc, but only in the context of all the D-Mark bloc currencies falling together. Both sterling and the dollar capitalised on their status as non-EMU currencies, rallying more against the franc than the D-Mark.

He said the price action yes-

discriminate against other countries which qualified in terms of the Maastricht criteria.

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One theory for the fairly static performance of the dollar recently is that speculative interest has shifted away from currency markets into the US equity market. Until speculative traders return, more of the same is predicted.

While there has been disappointment at the dollar's inability to rally above DM1.50, some analysts believe it has done quite well, especially considering developments in world interest rate markets. Mr Mike Rosenberg, head of fixed income and currency research at Merrill Lynch in New York, points out that the spread between two year bonds in the US and Germany has narrowed from 160 basis points in the US's favour to only 110 points over the past three weeks.

Further out on the yield curve, German ten year bonds are now yielding 6.12 per cent, compared to 5.77 per cent at the end of January, while US yields have been largely static.

Mr Rosenberg said the dollar's

performance suggested the markets did not believe the recent run-up in German yields was sustainable. There is quite wide agreement among analysts that a dollar rally against the D-Mark is unlikely without the yield differential between US and German bonds first trending in the US's favour.

Mr Rosenberg said the dollar's

strong rally in the D-Mark between mid-1994 and mid-1995 correlated almost perfectly with the sharp drop in M1 and M2 money supply growth in Germany. Although these trends have since reversed, he said he expected German interest rates to fall further, with the D-Mark easing to about DM1.55-60, over the next six months, against the dollar.

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MANAGED FUNDS NOTES	
Prices are at parce unless otherwise indicated and those designated \$ with no prefix refer to U.S. dollars.	
Yield % above for all buying expenses.	
Prices of certain older Investments listed below subject to capital gains or loss on sale.	
(*) Funds not SII recognized. The regulatory authorities in these countries are:	
Germany - Federal Monetary Authority	
Germany - Financial Services Commission	
Ireland - Central Bank of Ireland	
Iso of Man - Financial Supervision Commission	
Jersey - Financial Services Department	
Luxembourg - Institut Monétaire Luxembourgeois.	
Indic charge - Charge made on sale of units.	
Selling price - Bid or redemption price.	
Buying price - Offer or issue price.	
Time - The time within which the fund manager's notice is given to the holders of the fund's valuation point unless indicated by one of the following symbols:	
(N) - 0001 to 1700 hours	
(H) - 1101 to 1400 hours	
(D) - 1401 to 1700 hours	
(M) - 1701 to midnight	
E - Exit charge on sale of units.	
C - Manager's periodic charge deducted from capital.	
H - Historic pricing F - Forward pricing	
I - Distribution rate of UK taxes.	
P - Periodic premium/redemption plan.	
S - Special premium/allowance.	
v - Disturbance as a UETS (Understandings for Collective Investment in Transferable Securities).	
- Offered price includes all expenses except agent's commission.	
x - Previous day's price.	
gg - Gloucester price.	
+ Yield before Jersey tax.	
f - Ex-distribution, ex - Ex dividend.	
d - Only available to charitable bodies.	
o - Yield column shows unadjusted rates of NAV increase.	

## MARKET REPORT

**FT-SE Mid 250 index hits new all-time high**By Steve Thompson,  
UK Stock Market Editor

There was no evidence of any lack of confidence in the UK equity market yesterday, with share prices maintaining their form throughout the trading session and closing only slightly below their best levels.

The driving force behind UK equities, and the rest of Europe's stock markets, once again came from the US, where the overnight surge through the 5,600 level on the Dow Jones Industrial Average provided the initial impetus.

At the close, the FT-SE 100 index showed a rise of 2.0 at 3,747.5. The market's confidence was even more

pronounced in the second-liners, where the weight of buying power drove the FT-SE Mid 250 index to an all-time closing high of 4,163.8, up 8.1. The Mid 250 hit its previous peak in February 1994.

Although Wall Street was looking increasingly volatile as the US session wore on, London marketmakers adopted a relatively relaxed view of potential short term trends.

"London has underperformed Wall Street by a long way this year and that provides a comfortable cushion," said one senior marketmaker. He said last week's retreat by the FT-SE 100 had shaken out most of the loose holders in London.

"There was no evidence of any

large-scale sellers around when the market was accelerating," he said, adding that the short term trend in London was upwards.

The head of marketmaking at one of the European securities houses said London had begun to falter at news of the disappointing book to bid ratio news from the US, but had then attracted a fresh bout of buying interest as Wall Street recovered from its initial weakness.

"It seems the whole world is looking for a big setback on the Street, but every time the Dow is pressured, it fights back and demolishes the bears," he said, although he warned that 3,780 on the Footsie would prove a stumbling block.

There could be more problems for the market this morning with news of the Bank of England's inflation report, as well as a host of economic data on unemployment, average earnings and unit wage costs.

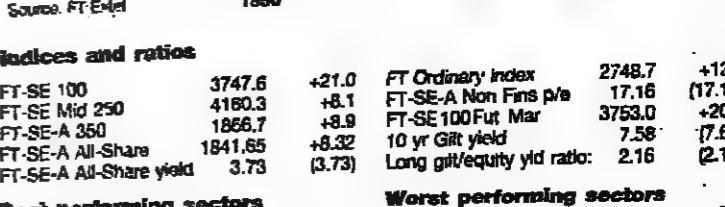
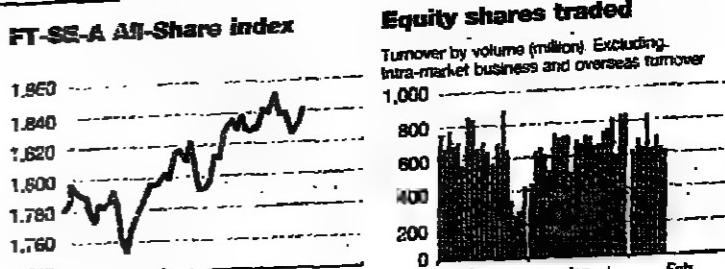
Sentiment in London was positive from the outset, with the Footsie kicking off 15 points ahead and remaining well bid for the rest of the session in spite of Wall Street's opening slide, which saw the Dow some 30 points down before embarking on a determined recovery.

There was plenty of excitement in individual shares, with Reuters topping the FT-SE 100 performance league and posting a near 5 per cent gain in the wake of top of the range

results and confirmation that the company intends to return cash to shareholders; the market was banking on either a share buyback or special dividend.

In contrast, BP was a substantial disappointment, the stock price slipping back as news of an increased dividend was offset by worries about continued pressure on the group's chemicals business and by the company's cautious outlook on prospects for the oil price.

The build-up of activity in equities was clearly demonstrated by turnover levels, by 6pm market turnover had reached 922.3m shares. Retail business on Monday was worth £1.35bn.



Indices and ratios	Best performing sectors	Worst performing sectors
FT-SE 100 3747.6 +21.0 FT Ordinary Index 2748.7 +12.4	1 Paper, Pkgs & Print +1.7	1 Chemicals -0.6
FT-SE Mid 250 4160.3 +8.1 FT-SE-A Non Fins p/s 17.16 +17.10	2 Extractive Inds +1.3	2 Retailers, Food -0.5
FT-SE-A 350 1865.7 +8.9 FT-SE100 Fut Mar 3753.0 +20.0	3 Media +1.2	3 Distributors -0.4
FT-SE-A All-Shares 1841.65 +8.32 10 yr Gilt yield 7.58 +7.60	4 Electronic & Elec +1.0	4 Insurance -0.3
FT-SE-A All-Shares Yield 3.73 (3.73) Long gilt/equity yield ratio: 2.16 (2.16)	5 Electricity -0.1	5 Engineering, Vehicles -0.1

## FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LFFE) £10 per full index point (APT)							
	Open	Sett price	Change	High	Low	Est. vol	Open int
Mar	3748.0	3753.0	+20.0	3761.0	3735.0	12165	62733
Jun	3745.5	3757.0	+20.5	3749.0	3744.0	401	267
Sep	3773.0	3770.0	-20.0	3775.0	3765.0	0	0
	4170.0	4170.0	+10.0	4175.0	4165.0	0	5311

■ FT-SE MID 250 INDEX FUTURES (LFFE) £10 per full index point							
	Open	Sett price	Change	High	Low	Est. vol	Open int
Mar	3600	3650	+500	3700	3550	2000	3650
Jun	3600	3650	+500	3700	3550	0	0
Sep	3710	3710	+10.0	3710	3710	0	0
	4170.0	4170.0	+10.0	4170.0	4170.0	0	5311

■ EURO STYLING FT-SE 100 INDEX OPTION £10 per full index point							
	Open	Sett price	Change	High	Low	Est. vol	Open int
Feb	3575	3625	+50	3675	3575	200	3625
Feb	1785	1785	+50	1825	1745	125	1785
Feb	1850	1850	+50	1890	1810	110	1850
Feb	1825	1825	+50	1865	1805	120	1825
Feb	1810	1810	+50	1850	1800	150	1810
Feb	1805	1805	+50	1845	1805	120	1805
Feb	1800	1800	+50	1840	1800	120	1800
Feb	1795	1795	+50	1835	1795	120	1795
Feb	1790	1790	+50	1830	1790	120	1790
Feb	1785	1785	+50	1825	1785	120	1785
Feb	1780	1780	+50	1820	1780	120	1780
Feb	1775	1775	+50	1815	1775	120	1775
Feb	1770	1770	+50	1810	1770	120	1770
Feb	1765	1765	+50	1805	1765	120	1765
Feb	1760	1760	+50	1800	1760	120	1760
Feb	1755	1755	+50	1800	1755	120	1755
Feb	1750	1750	+50	1800	1750	120	1750
Feb	1745	1745	+50	1800	1745	120	1745
Feb	1740	1740	+50	1800	1740	120	1740
Feb	1735	1735	+50	1800	1735	120	1735
Feb	1730	1730	+50	1800	1730	120	1730
Feb	1725	1725	+50	1800	1725	120	1725
Feb	1720	1720	+50	1800	1720	120	1720
Feb	1715	1715	+50	1800	1715	120	1715
Feb	1710	1710	+50	1800	1710	120	1710
Feb	1705	1705	+50	1800	1705	120	1705
Feb	1700	1700	+50	1800	1700	120	1700
Feb	1695	1695	+50	1800	1695	120	1695
Feb	1690	1690	+50	1800	1690	120	1690
Feb	1685	1685	+50	1800	1685	120	1685
Feb	1680	1680	+50	1800	1680	120	1680
Feb	1675	1675	+50	1800	1675	120	1675
Feb	1670	1670	+50	1800	1670	120	1670
Feb	1665	1665	+50	1800	1665	120	1665
Feb	1660	1660	+50	1800	1660	120	1660
Feb	1655	1655	+50	1800	1655	120	1655
Feb	1650	1650	+50	1800	1650	120	1650
Feb	1645	1645	+50	1800	1645	120	1645
Feb	1640	1640	+50	1800	1640	120	1640
Feb	1635	1635	+50	1800	1635	120	1635
Feb	1630	1630	+50	1800	1630	120	1630
Feb	1625	1625	+50	1800	1625	120	1625
Feb	1620	1620	+50	1800	1620	120	1620
Feb	1615	1615	+50	1800	1615	120	1615
Feb	1610	1610	+50	1800	1610	120	1610
Feb	1605	1605	+50	1800	1605	120	1605
Feb	1600	1600	+50	1800	1600	120	1600
Feb	1595	1595	+50	1800	1595	120	1595
Feb	1590	1590	+50	1800	1590	120	1590
Feb	1585	1585	+50	1800	1585	120	1585
Feb	1580						

## **WORLD STOCK MARKETS**

EUROPE																			
AUSTRIA (Feb 13 / Sch)																			
Audi AG	1,680	-10	2,056	1,323	28	—	Citroen	3,195	+5	3,350	2,025	12	—	Schmei	165,60	+20	114,50	92,23	15
BMWAG	203	+10	2,656	1,723	22	—	Corolla	77	-70	173	92,50	15	—	SEAT	241	+1	348	180,30	21
BLAUPUNKT	465	+10	2,656	1,723	22	—	Coupe	1,143	+27	1,143	92,50	15	—	Skoda	246,00	-20	170,80	82,23	15
BLAUG	786	+10	2,656	1,723	22	—	Croco	570	+1	985	98,50	15	—	SPARCO	295	-10	192	92,50	15
Bosch	623	+10	2,656	1,723	22	—	Crest	170	+3	192	131	17	—	SWAROVSKI	275	+10	192	92,50	15
Credit	512	+10	2,656	1,723	22	—	Dacia	535	+6	550	315	26	—	THERM	178	+10	180	92,50	15
CPPI	1,345	+10	2,656	1,723	22	—	Daimler	447,90	+50	450	315	26	—	THYSS	152	+10	178	92,50	15
CSG	2,055	+10	2,656	1,723	22	—	Dodge	147	+10	178	120	17	—	TOYOTA	278	+10	168	92,50	15
CSK	2,055	+10	2,656	1,723	22	—	Corvette	240,40	+70	207	120	17	—	Veta	271	+10	202	20,20	15
CSL	1,716	+10	2,656	1,723	22	—	Crocs	400	+10	368	360	18	—	Veta	84,00	+1	368	40,20	15
CSN	1,716	+10	2,656	1,723	22	—	Cruze	371,50	+10	372	120	17	—	VEW	361	+1	361	315	26
CSO	1,716	+10	2,656	1,723	22	—	Cutter	415	+10	372	120	17	—	VerWat	82,00	+10	847	475	18
CSV	1,716	+10	2,656	1,723	22	—	Cutter	371,50	+10	372	120	17	—	VerWat	546	+5	552	50,20	15
CSX	1,716	+10	2,656	1,723	22	—	Daewoo	3,570	+10	454,80	315,20	25	—	VerWat	491	+1	408	262	18
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	468	+10	470	328	28	—	VerWat	6,10	+1	5,295	262	18
CSZ	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	220,40	+10	210	120	17
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
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CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
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CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
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CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
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CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
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CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
CSY	1,716	+10	2,656	1,723	22	—	Daewoo	871	+10	475	328	28	—	VerWat	371,50	+10	372	120	17
CSY	1,716	+10	2,656	1,723</td															

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and systems for cars,  
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DEFENSE ELECTRONICS • AEROSPACE • AUTOMOTIVE • GRAPHIC SYSTEMS

## INDICES

INDEX FUTURES

TOKYO - MOST ACTIVE STOCKS Tuesday, February 10, 1987									
	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day		
Tobu Railway	11.3m	653	-4	Toshiba	5.0m	833	-17		
Shinko Electric	10.8m	581	+26	Kanto Sp! Steel	4.9m	806	+21		
Yamato Transport	5.4m	1220	-10	Mitsubishi Hvy	4.6m	888	+3		
Kyokuyo	5.6m	822	-100	NKK Corp	4.4m	296	-6		
Kao Corp	5.1m	1310	+10	Dowa Mining	4.0m	547	-3		

**NEW YORK STOCK EXCHANGE COMPOSITE PRICES**

**Continued on next page**

**NYSE COMPOSITE PRICES**

4 pg Close February 13

1988/89												1989/90												1990/91											
High	Low	Stock	Div	%	Y	V	Si	Sk	High	Low	Close	Chg/Prc.	Prev.	Div	%	Y	V	Si	Sk	High	Low	Close	Chg/Prc.												
<b>Continued from previous page</b>																																			
184- 9 SfGrid	0.05	0.3	5312160	181-3	152-	161-2	-12	184- 9 SfGrid	0.05	0.3	5312160	181-3	152-	161-2	-12	184- 9 SfGrid	0.05	0.3	5312160	181-3	152-	161-2	-12	184- 9 SfGrid	0.05	0.3	5312160	181-3	152-	161-2	-12				
300- 302- SharpPape	3.00	7.9	18	47	135-1	37-2	-3	300- 302- SharpPape	3.00	7.9	18	47	135-1	37-2	-3	300- 302- SharpPape	3.00	7.9	18	47	135-1	37-2	-3	300- 302- SharpPape	3.00	7.9	18	47	135-1	37-2	-3				
350- 354- Saratoga	0.76	2.2	20	9738	352-3	34-2	-2	350- 354- Saratoga	0.76	2.2	20	9738	352-3	34-2	-2	350- 354- Saratoga	0.76	2.2	20	9738	352-3	34-2	-2	350- 354- Saratoga	0.76	2.2	20	9738	352-3	34-2	-2				
600- 399- SBC Com	1.65	2.8	19	7344	650-1	58-2	-2	600- 399- SBC Com	1.65	2.8	19	7344	650-1	58-2	-2	600- 399- SBC Com	1.65	2.8	19	7344	650-1	58-2	-2	600- 399- SBC Com	1.65	2.8	19	7344	650-1	58-2	-2				
250- 252- Scan Corp	1.44	5.1	16	5762	225-2	28-2	-2	250- 252- Scan Corp	1.44	5.1	16	5762	225-2	28-2	-2	250- 252- Scan Corp	1.44	5.1	16	5762	225-2	28-2	-2	250- 252- Scan Corp	1.44	5.1	16	5762	225-2	28-2	-2				
174- 57- SchenckCo A	0.25	3.1	21	32	58-1	58-2	-2	174- 57- SchenckCo A	0.25	3.1	21	32	58-1	58-2	-2	174- 57- SchenckCo A	0.25	3.1	21	32	58-1	58-2	-2	174- 57- SchenckCo A	0.25	3.1	21	32	58-1	58-2	-2				
604- 352- SchenckCo	2.17	2554	41-2	49-2	47-3	47-3	-3	604- 352- SchenckCo	2.17	2554	41-2	49-2	47-3	47-3	-3	604- 352- SchenckCo	2.17	2554	41-2	49-2	47-3	47-3	-3	604- 352- SchenckCo	2.17	2554	41-2	49-2	47-3	47-3	-3				
720- 502- Schenck	1.58	2.1	26	9880	72-2	70-2	-2	720- 502- Schenck	1.58	2.1	26	9880	72-2	70-2	-2	720- 502- Schenck	1.58	2.1	26	9880	72-2	70-2	-2	720- 502- Schenck	1.58	2.1	26	9880	72-2	70-2	-2				
21- 11- SchenckCo C	0.16	0.7	25	3016	24-2	24-2	-2	21- 11- SchenckCo C	0.16	0.7	25	3016	24-2	24-2	-2	21- 11- SchenckCo C	0.16	0.7	25	3016	24-2	24-2	-2	21- 11- SchenckCo C	0.16	0.7	25	3016	24-2	24-2	-2				
271- 20- SchenckCo	0.06	0.4	36	1738	171-3	171-3	-3	271- 20- SchenckCo	0.06	0.4	36	1738	171-3	171-3	-3	271- 20- SchenckCo	0.06	0.4	36	1738	171-3	171-3	-3	271- 20- SchenckCo	0.06	0.4	36	1738	171-3	171-3	-3				
20- 15- Schenck	0.10	0.11	40	1033	17-2	17-2	-2	20- 15- Schenck	0.10	0.11	40	1033	17-2	17-2	-2	20- 15- Schenck	0.10	0.11	40	1033	17-2	17-2	-2	20- 15- Schenck	0.10	0.11	40	1033	17-2	17-2	-2				
452- 52- Schenck	0.52	1.2	25	482	43-2	42-2	-2	452- 52- Schenck	0.52	1.2	25	482	43-2	42-2	-2	452- 52- Schenck	0.52	1.2	25	482	43-2	42-2	-2	452- 52- Schenck	0.52	1.2	25	482	43-2	42-2	-2				
21- 13- SchenckHdF	0.02	0.1	323	171-3	171-3	171-3	-3	21- 13- SchenckHdF	0.02	0.1	323	171-3	171-3	171-3	-3	21- 13- SchenckHdF	0.02	0.1	323	171-3	171-3	171-3	-3	21- 13- SchenckHdF	0.02	0.1	323	171-3	171-3	171-3	-3				
117- 56- SchenckHdF	0.18	1.4	168	111-2	111-2	111-2	-2	117- 56- SchenckHdF	0.18	1.4	168	111-2	111-2	111-2	-2	117- 56- SchenckHdF	0.18	1.4	168	111-2	111-2	111-2	-2	117- 56- SchenckHdF	0.18	1.4	168	111-2	111-2	111-2	-2				
20- 13- SchenckHdF	0.70	4.2	1	2	163-2	163-2	-2	20- 13- SchenckHdF	0.70	4.2	1	2	163-2	163-2	-2	20- 13- SchenckHdF	0.70	4.2	1	2	163-2	163-2	-2	20- 13- SchenckHdF	0.70	4.2	1	2	163-2	163-2	-2				
157- 14- SchenckHdF	1.45	9.4	4	152-2	151-2	151-2	-2	157- 14- SchenckHdF	1.45	9.4	4	152-2	151-2	151-2	-2	157- 14- SchenckHdF	1.45	9.4	4	152-2	151-2	151-2	-2	157- 14- SchenckHdF	1.45	9.4	4	152-2	151-2	151-2	-2				
61- 25- Schenck	0.08	0.4	36	1738	171-3	171-3	-3	61- 25- Schenck	0.08	0.4	36	1738	171-3	171-3	-3	61- 25- Schenck	0.08	0.4	36	1738	171-3	171-3	-3	61- 25- Schenck	0.08	0.4	36	1738	171-3	171-3	-3				
39- 25- Schenck	0.08	0.4	36	1738	171-3	171-3	-3	39- 25- Schenck	0.08	0.4	36	1738	171-3	171-3	-3	39- 25- Schenck	0.08	0.4	36	1738	171-3	171-3	-3	39- 25- Schenck	0.08	0.4	36	1738	171-3	171-3	-3				
222- 15- SchenckEn	0.08	0.4	36	1738	171-3	171-3	-3	222- 15- SchenckEn	0.08	0.4	36	1738	171-3	171-3	-3	222- 15- SchenckEn	0.08	0.4	36	1738	171-3	171-3	-3	222- 15- SchenckEn	0.08	0.4	36	1738	171-3	171-3	-3				
451- 30- Schenck	0.92	2.0	12	11618	61-2	44-2	-2	451- 30- Schenck	0.92	2.0	12	11618	61-2	44-2	-2	451- 30- Schenck	0.92	2.0	12	11618	61-2	44-2	-2	451- 30- Schenck	0.92	2.0	12	11618	61-2	44-2	-2				
202- 16- SchenckSII	1.24	16	23	5447	20-2	20-2	-2	202- 16- SchenckSII	1.24	16	23	5447	20-2	20-2	-2	202- 16- SchenckSII	1.24	16	23	5447	20-2	20-2	-2	202- 16- SchenckSII	1.24	16	23	5447	20-2	20-2	-2				
73- 10- SchenckSII	0.84	0.5	74	121	12-2	12-2	-2	73- 10- SchenckSII	0.84	0.5	74	121	12-2	12-2	-2	73- 10- SchenckSII	0.84	0.5	74	121	12-2	12-2	-2	73- 10- SchenckSII	0.84	0.5	74	121	12-2	12-2	-2				
384- 12- SchenckSII	0.22	1.1	16214	410-2	21-2	17-2	-2	384- 12- SchenckSII	0.22	1.1	16214	410-2	21-2	17-2	-2	384- 12- SchenckSII	0.22	1.1	16214	410-2	21-2	17-2	-2	384- 12- SchenckSII	0.22	1.1	16214	410-2	21-2	17-2	-2				
344- 21- SchenckSII	0.90	1.8	45	143-2	33-2	33-2	-2	344- 21- SchenckSII	0.90	1.8	45	143-2	33-2	33-2	-2	344- 21- SchenckSII	0.90	1.8	45	143-2	33-2	33-2	-2	344- 21- SchenckSII	0.90	1.8	45	143-2	33-2	33-2	-2				
41- 23- SchenckSII	0.50	1.2	21	403	40-2	40-2	-2	41- 23- SchenckSII	0.50	1.2	21	403	40-2	40-2	-2	41- 23- SchenckSII	0.50	1.2	21	403	40-2	40-2	-2	41- 23- SchenckSII	0.50	1.2	21	403	40-2	40-2	-2				
461- 26- SchenckSII	0.44	1.0	25	2715	45-2	45-2	-2	461- 26- SchenckSII	0.44	1.0	25	2715	45-2	45-2	-2	461- 26- SchenckSII	0.44	1.0	25	2715	45-2	45-2	-2	461- 26- SchenckSII	0.44	1.0	25	2715	45-2	45-2	-2				
250- 21- SchenckSII	0.96	3.0	14	632	32-2	31-2	-2	250- 21- SchenckSII	0.96	3.0	14	632	32-2	31-2	-2	250- 21- SchenckSII	0.96	3.0	14	632	32-2	31-2	-2	250- 21- SchenckSII	0.96	3.0	14	632	32-2	31-2	-2				
76- 6- SchenckSII	10-10	1597	51-2	51-2	51-2	51-2	-2	76- 6- SchenckSII	10-10	1597	51-2	51-2	51-2	51-2	-2	76- 6- SchenckSII	10-10	1597	51-2	51-2	51-2	51-2	-2	76- 6- SchenckSII	10-10	1597	51-2	51-2	51-2	51-2	-2				
77- 11- SchenckSII	0.30	24	26	1185	12-2	12-2	-2	77- 11- SchenckSII	0.30	24	26	1185	12-2	12-2	-2	77- 11- SchenckSII	0.30	24	26	1185	12-2	12-2	-2	77- 11- SchenckSII	0.30	24	26	1185	12-2	12-2	-2				
43- 16- SchenckSII	0.18	0.3	14	116	11-2	11-2	-2	43- 16- SchenckSII	0.18	0.3	14	116	11-2	11-2	-2	43- 16- SchenckSII	0.18	0.3	14	116	11-2	11-2	-2	43- 16- SchenckSII	0.18	0.3	14	116	11-2	11-2	-2				
47- 21- SchenckSII	0.10	0.1	164	7	7	7	-2	47- 21- SchenckSII	0.10	0.1	164	7	7	7	-2	47- 21- SchenckSII	0.10	0.1	164	7	7	7	-2	47- 21- SchenckSII	0.10	0.1	164	7	7	7	-2				
55- 22- SchenckSII	1.13	2.0	23	772	55-2	55-2	-2	55- 22- SchenckSII	1.13	2.0	23	772	55-2	55-2	-2	55- 22- SchenckSII	1.13	2.0	23	772	55-2	55-2	-2	55- 22- SchenckSII	1.13	2.0	23	772	55-2	55-2	-2				
33- 22- SchenckSII	1.33	24	45	1531	55-2	55-2	-2	33- 22- SchenckSII	1.33	24	45	1531	55-2	55-2	-2	33- 22- SchenckSII	1.33	24	45	1531	55-2	55-2	-2	33- 22- SchenckSII	1.33	24	45	1531	55-2	55-2	-2				
31- 18- SchenckFt	0.80	2.4	15	473	24-2	24-2	-2	31- 18- SchenckFt	0.80	2.4	15	473	24-2	24-2	-2	31- 18- SchenckFt	0.80	2.4	15	473	24-2	24-2	-2	31- 18- SchenckFt	0.80	2.4	15	473	24-2	24-2	-2				
34- 17- SchenckJ	0.92	2.8	15	773	19-2	19-2	-2	34- 17- SchenckJ	0.92	2.8	15	773	19-2	19-2	-2	34- 17- SchenckJ	0.92	2.8	15	773	19-2	19-2	-2	34- 17- SchenckJ	0.92	2.8	15	773	19-2	19-2	-2				
44- 21- SchenckJ	0.18	0.2	15	618	44-2	44-2	-2	44- 21- SchenckJ	0.18	0.2	15	618	44-2	44-2	-2	44- 21- SchenckJ	0.18	0.2	15	618	44-2	44-2	-2	44- 21- SchenckJ	0.18	0.2	15	618	44-2	44-2	-2				
157- 18- SchenckJ	0.28	2.7	14	8430	51-2	51-2	-2	157- 18- SchenckJ	0.28	2.7	14	8430	51-2	51-2	-2	157- 18- SchenckJ	0.28	2.7	14	8430	51-2	51-2	-2	157- 18- SchenckJ	0.28	2.7	14	8430	51-2	51-2	-2				
224- 21- SchenckJ	0.21	0.3	3231	49-2</td																															

4005  
7  
1018

		X	Y	Z	
38 23-2 Winst	0.80	2.4 23	510	372	367
104a 6% Winchester	0.40	5.0	565	544	5
22 25% WicEn	1.47	4.7 14	814	315	314
18 10% Wicar	0.48	3.6 10	186	114	114
20 24% Wico Corp	1.12	3.5 17	880	382	38
27% 18 WMC Adm	0.84	2.456	36	294	294
32a 26% Wintex	0.90	2.1 16	2590	294	294
34 18% Wohlfahrt	0.14	0.6 10	184	244	244
18% 9% Woodmen	0.68	4.9 47	2777	124	124
18% 13% World Wide	0.10	0.5	81	182	182
71 7% Wonderbar		3	1M	8	8
34% 26% WPS Re	1.86	5.5 14	176	34	33
22% 42% Whigay	0.88	7.3 31	1080	817	817
18% 15% Whyte Lister	0.28	0.8 11	7289	327	327
20% 7% Wynne Int	0.35	1.8 10	194	652	231
 - X - Y - Z -					
14% 6% Xanadu	3.46	2.7 16	4716	120%	120%
32% 36% Xtra Corp x	0.73	1.5 14	140	44	44
15% 18% Yankee Toy	1.08	3.0 10	63	24	24
20% 34% York Int	0.54	0.5 17	566	47%	47
4% 2% Zapata	0.14	4.3 23	118	34	34
14% 5% Zenith	4	220	71%	7	7
14% 15% Zenith Net	1.00	4.3 33	75	23%	23%
7 6% Zenit Inc	0.72	10.3	161	57	57
7% 12% Zero x	0.44	2.8 18	1696	17	16%
26 18% Zurn Ind	0.40	1.8 17	170	23%	22%
11% 10% Zweig Prod	1.13	10.2	342	11%	11
9 7% Zweig Tech x	0.84	9.5	267	56	56

## **NASDAQ NATIONAL MARKET**

*4 pm close February 13*

Stock	P	Sa		Dm.	E	100d	High	Low	Last	Chg	Stock	P	Sa		Dm.	E	100d	High	Low	Last	Chg	Stock	P	Sa		Dm.	E	100d	High	Low	Last	Chg					
ABS Inc	0.20	1	302	2.5	12	72	7.4	7.4	-	-4	Dixie	0.33	21	1000	40.3	39.4	40	-14	-	-	K-Swiss	0.08	9	65	11.3	10.3	11.1	+3	-	Rainbow	18	1240	22.3	22	22.3	-	
ACB Corp	0.12	37	5016	129.2	27.3	29.2	29.2	28.2	+2.8	+2	Dip Gyr	1.20	11	723	44.2	43.4	44	+3	-	-	Karma Cpl	0.44	11	263	10.2	10.4	10.3	+1	-	Rally	0	134	1.3	1.5	1.4	-	
Accela E	13	5457	124	115	115	115	-	-	-	-	Devon	0.20	40	2	9.4	9.4	9.4	-1	-	-	Kelby Sv	0.08	16	342	29.4	28.4	29.4	-	-	Raymond	11	41	21	20.2	20.2	-	
Acme Mills	7	43	171	164	171	171	-	-	-	-	DH Tech	18	5	23	21.4	21.4	21.4	-1	-	-	Kemball	0.02	14	16	4.0	29.2	29.2	-2	-	RCB&Pn	0.48	10	401	22.2	22.4	22.2	-
Action Cpl	42	1331	27.2	24.2	26.2	26.2	+1	-	-	-	Dig Ind	17	1384	38	25.4	25.4	25.4	-1	-	-	KLA Inst	1474703	304	28.4	29.4	29.4	-2	-	Read-Plus	5	622	18	18.4	18.4	-		
Adaptach	271588	48.4	45.4	48.4	48.4	48.4	-	-	-	-	Dig Micro	12	880	10.2	10.1	10.1	-1	-	-	Koll A	0	373	31	31	31	-	-	Reactor	14	121	18	17.2	17.2	-			
ADC Tele	43	8640	41.2	38.4	40.2	40.2	-	-	-	-	Dig Sound	5	1205	1.8	1.8	1.8	-1	-	-	Komag Inc	13	7203	30.4	29.4	29.2	-	-	Replica	0	1052	1.3	1.4	1.3	-			
Addington	42	175	12.5	12	12.5	12.5	+1	-	-	-	Dig Syst	16	859	12.3	12.3	12.2	-1	-	-	Konica S	7	7680	22.4	21.4	21.3	-	-	Resound	25	1017	9.5	9	9.5	+2			
AdvAeroDR	0.16	10	31	25.5	23.2	23.2	-	-	-	-	Domes Cp	25	1107	35.4	35.5	37	-1	-	-	Konica S	0.06	61	7193	63.1	61.2	63	-	-	Reuters	0.06	61	7193	63.1	61.2	63	-	
Adobe Sys	0.20	2314281	38.2	37	37.4	37.4	-	-	-	-	Dove Yrn	0.20	11	193	4.3	4.3	4.3	-1	-	-	Kosche	0.08	9	65	11.3	10.3	11.1	+3	-	River Plat	0.40	17	42.2	22.2	22	-	
Adv Logic	12	428	7	6.5	7	6.5	-	-	-	-	DNA Plat	2.25	1	498	1.2	1.2	1.2	-1	-	-	Ladd Furu	0.18	3	60	14	13.2	13.2	-1	-	RoughExpr	267	124	11.3	12	12	-	
Adv Polys	17	2542	80.3	75	8	8	-	-	-	-	Dow Agro	0.20	22	222	27.4	25	26	-1	-	-	Lam Rech	0.02	16	32205	41.2	38	39.2	-	-	Right	0.12	12	213	8.5	5.4	5.4	-
AdvTechLab	58	2488	28.4	27	27.2	27	-	-	-	-	Dow Ind	0.2418	737	31.4	30.4	30.4	+1	-	-	Lancaster	0.03	15	1369	38.4	37.5	37.4	-	-	Rose Str	0.28	151024	22.2	22.4	22.2	-		
Advans	0.27	14	2942	49.3	47.4	47.2	-1	-	-	-	DOS Bancer	1.09	14	243	28.4	28.4	29.6	+1	-	-	LancomSph	23	3463	20.4	20	20.4	+1	-	Rotchell	0.02	14	2942	49.3	47.4	47.2	-	
AgoEcoCo	0.10	45	1145	16.2	15.5	16.2	+1	-	-	-	DoseGangy	12	37	18.3	18.4	18.4	+1	-	-	Lapone	0.72	64	77	14	13.2	13.2	-1	-	RoughExpr	267	124	11.3	12	12	-		
AlgExpo	0.23	14	179	22	21.2	21.4	-	-	-	-	DoseBarn	11	1723	9.2	8	9	+2	-	-	Ladd Furu	0.18	3	60	14	13.2	13.2	-1	-	Right	0.12	12	213	8.5	5.4	5.4	-	
Alko ADR	1.63	5	673	56.4	55.5	56.4	+1	-	-	-	Dow Ind	0.20	16	287	25.4	24.4	25	-1	-	-	Lam Rech	0.02	16	32205	41.2	38	39.2	-	-	Rose Str	0.28	151024	22.2	22.4	22.2	-	
Almid	0.08	18	2413	3.2	2.8	3.2	-	-	-	-	Dow Ind	0.24	14	261	2.5	2.5	2.4	-1	-	-	Lance Inc	0.06	92	254	18	16.5	16.4	-1	-	Rose Str	0.28	151024	22.2	22.4	22.2	-	
Almo Org	0.52	12	61	40.2	39.4	40.2	-1	-	-	-	Doskin	0.52	20	2504	25.4	24.2	25.6	+1	-	-	LancomSph	14	440	10.2	9.2	9.2	-1	-	Rotchell	0.02	14	2942	49.3	47.4	47.2	-	
Almo Ph	12	2342	16.2	15.4	15.2	15.2	-	-	-	-	Dotcom	30	2706	23.4	22.2	22.4	-1	-	-	Lapone	0.72	64	77	14	13.2	13.2	-1	-	RoughExpr	267	124	11.3	12	12	-		
AlmoCapl	1.16	25	177	17.5	17	17	-	-	-	-	Dynatech	0.20	40	2	9.4	9.4	9.4	-1	-	-	Ladd Furu	0.18	3	60	14	13.2	13.2	-1	-	Right	0.12	12	213	8.5	5.4	5.4	-
AlmoCp	1.54	11	68	13.5	13.2	13.2	-	-	-	-	Dynatone	0.20	16	287	25.4	24.4	25	-1	-	-	Lam Rech	0.02	16	32205	41.2	38	39.2	-	-	Rose Str	0.28	151024	22.2	22.4	22.2	-	
AlmoS C	0.32	1	5	43.4	34	34	-	-	-	-	Dynavac	0.20	16	287	25.4	24.4	25	-1	-	-	Lance Inc	0.06	92	254	18	16.5	16.4	-1	-	Rose Str	0.28	151024	22.2	22.4	22.2	-	
AlmoS Gold	0.08	18	8313	3.2	2.8	3.2	-	-	-	-	Dynavac	0.20	16	287	25.4	24.4	25	-1	-	-	LancomSph	14	440	10.2	9.2	9.2	-1	-	Rotchell	0.02	14	2942	49.3	47.4	47.2	-	
AlmoS Or	0.08	23	2342	50.4	49.2	49.2	-1	-	-	-	Dynavac	0.20	16	287	25.4	24.4	25	-1	-	-	Lapone	0.72	64	77	14	13.2	13.2	-1	-	RoughExpr	267	124	11.3	12	12	-	
AmberA	0.08	14	2558	2.5	2.2	2.5	-	-	-	-	Dynavac	0.20	16	287	25.4	24.4	25	-1	-	-	Ladd Furu	0.18	3	60	14	13.2	13.2	-1	-	Right	0.12	12	213	8.5	5.4	5.4	-
AmberP	1	889	3.1	3	3	3	-	-	-	-	Dynavac	0.20	16	287	25.4	24.4	25	-1	-	-	Lam Rech	0.02	16	32205	41.2	38	39.2	-	-	Rose Str	0.28	151024	22.2	22.4	22.2	-	
AmBnsh	2.36	8	246	67.4	66.4	66.4	-1	-	-	-	Dynavac	0.20	16	287	25.4	24.4	25	-1	-	-	Lance Inc	0.06	92	254	18	16.5	16.4	-1	-	Rose Str	0.28	151024	22.2	22.4	22.2	-	
AmPerCom	10	4329	8.5	8.5	8.5	8.5	-	-	-	-	Dynavac	0.20	16	287	25.4	24.4	25	-1	-	-	LancomSph	14	440	10.2	9.2	9.2	-1	-	Rotchell	0.02	14	2942	49.3	47.4	47.2	-	
AmTr	13	283	22.4	21.4	21.4	21.4	-	-	-	-	Dynavac	0.20	16	287	25.4	24.4	25	-1	-	-	Lapone	0.72	64	77	14	13.2	13.2	-1	-	RoughExpr	267	124	11.3	12	12	-	
Amgen Inc	4419740	45.4	45.2	45.2	45.2	45.2	-	-	-	-	Dynavac	0.20	16	287	25.4	24.4	25	-1	-	-	Ladd Furu	0.18	3	60	14	13.2	13.2	-1	-	Right	0.12	12	213	8.5	5.4	5.4	-
Amgen	0.08	21	1807	16.2	15.5	16.2	-1	-	-	-	Dynavac	0.20	16	287	25.4	24.4	25	-1	-	-	Lam Rech	0.02	16	32205	41.2	38	39.2	-	-	Rose Str	0.28	151024	22.2	22.4	22.2	-	
Amgen	0.08	21	1807	16.2	15.5	16.2	-1	-	-	-	Dynavac	0.20	16	287	25.4	24.4	25	-1	-	-	Lance Inc	0.06	92	254	18	16.5	16.4	-1	-	Rose Str	0.28	151024	22.2	22.4	22.2	-	
Amgen	0.08	21	1807	16.2	15.5	16.2	-1	-	-	-	Dynavac	0.20	16	287	25.4	24.4	25	-1	-	-	LancomSph	14	440	10.2	9.2	9.2	-1	-	Rotchell	0.02	14	2942	49.3	47.4	47.2	-	
Amgen	0.08	21	1807	16.2	15.5	16.2	-1	-	-	-	Dynavac	0.20	16	287	25.4	24.4	25	-1	-	-	Lapone	0.72	64	77	14	13.2	13.2	-1	-	RoughExpr	267	124	11.3	12	12	-	
Amgen	0.08	21	1807	16.2	15.5	16.2	-1	-	-	-	Dynavac	0.20	16	287	25.4	24.4	25	-1	-	-	Ladd Furu	0.18	3	60	14	13.2	13.2	-1	-	Right	0.12	12	213	8.5	5.4	5.4	-
Amgen	0.08	21	1807	16.2	15.5	16.2	-1	-	-	-	Dynavac	0.20	16	287	25.4	24.4	25	-1	-	-	Lam Rech	0.02	16	32205	41.2	38	39.2	-	-	Rose Str	0.28	151024	22.2	22.4	22.2	-	
Amgen	0.08	21	1807	16.2	15.5	16.2	-1	-	-	-	Dynavac	0.20	16	287	25.4	24.4	25	-1	-	-	Lance Inc	0.06	92	254	18	16.5	16.4	-1	-	Rose Str	0.28	151024	22.2	22.4	22.2	-	
Amgen	0.08	21	1807	16.2	15.5	16.2	-1	-	-	-	Dynavac	0.20	16	287	25.4	24.4	25	-1	-	-	LancomSph	14	440	10.2	9.2	9.2	-1	-	Rotchell	0.02	14	2942	49.3	47.4	47.2	-	
Amgen	0.08	21	1807	16.2	15.5	16.2	-1	-	-	-	Dynavac	0.20	16	287	25.4	24.4	25	-1	-	-	Lapone	0.72	64	77	14	13.2	13.2	-1	-	RoughExpr	267	124	11.3	12	12	-	
Amgen	0.08	21	1807	16.2	15.5	16.2	-1	-	-	-	Dynavac	0.20	16	287	25.4	24.4	25	-1	-	-	Ladd Furu	0.18	3	60	14	13.2	13.2	-1	-	Right	0.12	12	213	8.5	5.4	5.4	-
Amgen	0.08	21	1807	16.2	15.5	16.2	-1	-	-	-	Dynavac	0.20	16	287	25.4	24.4	25	-1	-	-	Lam Rech	0.02	16	32205	41.2	38	39.2	-	-	Rose Str	0.28	151024	22.2	22.4	22.2	-	
Amgen	0.08	21	1807																																		

#### **AMEX COMPOSITE PRICES**

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## FINANCIAL TIMES SURVEY

**CONFERENCES, EXHIBITIONS AND TRAVEL****Face-to-face still beats the computer**

In spite of the new global communications networks, conferences and exhibitions are a valuable way of making contacts in the business world, argues Diane Summers

**B**y the side of the Internet and other rapidly developing global communication networks that have been causing excitement over the past year, conferences and exhibitions may at first appear strange old-fashioned concepts.

It is possible to talk to people across the world at the press of a computer key, take a close look at their goods or services on, for example, CD-Rom, or target them with ever-increasing efficiency with databases and direct mail. So why go to the bother of travelling to a venue physically hauling tons of equipment across frontiers, or endure the expense and disruption of top personnel being away from their desks?

The answer is that it is difficult to imagine there ever being a substitute for making contacts and conducting business face-to-face; the exhibition and the conference can provide highly efficient means of building those contacts. Reed Exhibition Companies, part of the Anglo-Dutch publishers, Reed Elsevier, even defines its mission as to "deliver business contacts that create value" for its customers, rather than simply organising exhibitions.

It is the event organiser's job to ensure that the appropriate visitors and exhibitors meet and are provided with the right environment in which to do business, explains Mr Mike Rusbridge, Reed Exhibition Companies chairman. This is becoming an increasingly sophisticated process, with exhibitors now demanding information on, for example, the calibre of visitors and whether they are senior enough to specify those goods or services being exhibited.

Mr Hugh Scrimgeour, chairman and managing director of Earls Court Olympia, London,

"The distances that separate

delegates are prepared to travel increase with the degree of speciality of the event, and Mr Rusbridge expects to see increased "niching" as a continuing trend. Last year, for example, Reed ran a show in Paris called Corrugated, for manufacturers of machinery for corrugated board and packaging. "People came from all over the world. They realised it was probably the most comprehensive array of technology in that field they were ever likely to see," he says.

Worldwide, the health of the exhibition and conference sector is patchy, reflecting local economic conditions and the relative strength of the industries participating in events. Reed has seen buoyant business in Europe overall, with strong performance in the UK, France, Austria and Switzerland. Mr Scrimgeour reports that his colleagues in Emeca are finding the German market has emerged quickly from recession. The Dutch, like the British, Spanish and Italians are "seeing modest growth but nothing to get ecstatic about," while in France, "they're braced for a difficult and challenging year," he says.

Difficulties in France have been Blenheim Group, which, like Reed, is one of the leading international exhibition organisers. In the first half of last year losses on the French business drove pre-tax profits down by nearly a third, although analysts believe the company is now through the worst.

Eastern European markets

show promise but there are still many obstacles to be overcome, reports Mr Rusbridge.

For example, a gas industry forum, organised for British Gas, BP and Shell in Birmingham, had about 2,000 visitors from around 45 countries.

"Every reception area, every seating area, every floor,

was for a whole week full of people who were networking, exchanging business cards and, in many cases, doing deals," she says.

"The distances that separate

the condition of the halls themselves leaves a lot to be desired," he says. Nevertheless, Reed expects to be in "one, possibly two, significant eastern European markets in the next one to two years."

In the US, business is being stimulated by the Olympics, with extensive spending on private and public sector construction projects in Atlanta, and an \$8m worldwide advertising campaign to promote the state of Georgia as a business and tourist destination.

But it is in south-east Asian markets that the fastest growth is being seen, with conferences and exhibitions profit-

erating to serve dynamic regional markets, as well as attracting business, particularly in the incentive travel area.

In spite of the uncertainties associated with the imminent handover to Chinese administration, confidence in Hong Kong as a premier meetings location is running high. International bookings for events stretch as far ahead as 2005, while luxury hotel building comes in addition to the new airport and the extension of the Hong Kong Convention and Exhibition Centre, due for completion next year.

In the UK, recovery from the

recession is generally strong, while some observers note permanent changes in spending levels and client expectations.

Visitors to Confex, the annual meetings, events and incentive travel forum, last year reported that they expected expenditure in all areas of the meetings and events industry to increase by 35 per cent during 1998. The Meetings Industry Association, the trade body, reports delegate numbers for meetings and conferences have fallen over the past two years but, at the same time, events have grown slightly in duration.

The MIA sees organisers

"still negotiating aggressively"

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Production Editor:  
Gabriel Bowman



Live '95, the consumer electronics show at Earls Court, London, in September. British Telecommunications' stand was devised by Imagination, the design and events consultancy, which was recently selected to operate the year-long £100m Millennium exhibition to mark the turn of the century

In the UK, as elsewhere, entertainment and entertainment and travel for their own sake went out of favour during the recession and remain so, says Ms Cotton. "Nobody wants to be associated with anything that could be seen as a jolly, holiday or freebie. Clients are very keen that their events are appropriate. They've got to have face-to-face communication between their senior executives, their sales force and their customer base. They've got to get on planes, go to meetings, and book space. But they don't want to be seen doing anything that's lavish or inappropriate," she says.

**THE AMERICAN EXPRESS**

**don't worry**

**about it sir, I'll get those travelers**

**cheques and passport to you**

**come hell or high water**

**SERVICE.**

**THERE IS ONLY ONE**  
**AMERICAN EXPRESS.**

## II CONFERENCES, EXHIBITIONS AND TRAVEL

■ Social events : by Jane Martinson

## The benefits of teamwork

The main value of simulated events is that participants are encouraged to network

When terrorists kidnapped the chief executive half an hour into the conference, a nervous titter spread through the hall. The titters spent the rest of the day clearing minefields and building bridges in an attempt to get him back.

The popularity of "Who Dares Wins" events in the past two years proves the idea of bringing something a bit different to the average conference has not been killed off by the stalking figure of the recession.

The events, in which former members of the SAS abseil from a helicopter before making off with the boss and some vital part of the company (usually a new product), have been one of Moyles' Masterkey's most successful. The Worcestershire-based company, which describes itself as an incentive house, runs a host of special activities including vintage car days and flying days.

The mine-clearance, tank driving and bridge building have a purpose as well as being fun, says Mr Philip Moyles, a director of the company. "We offer a totally different environment and something which most people have never done before, detached from the real workplace. On Monday morning everybody's talking about it and perhaps discussing how they worked as a team together."

Customers such as Legal and General, Whirlpool, Land Rover and Glaxo have used the company for varied activities.

There may be a great difference between Who Dares Wins and dinner at a stately home for senior executives after a long day in the conference hall but the events share a similar logic. They act to impress guests/staff/clients with the all-round abilities of the company and give the participants a chance to meet each other in a new, more relaxed, environment. While the words jamboree and jolly now appear anathema to most event organisers, "networking opportunities" are considered important



Solving a murder - even if it is only make-believe - may encourage people to work together as a team

enough for £50 to £500 a head to be spent on an event.

Ms Vanessa Cotton, managing director of The Event Organisation Company, says:

"For the average conference social events are very, very important because of the networking value. People go to events not just to review information from a platform, they go for face-to-face communication.

**The difference between work and free time tends to blur'**

and to build relationships." Coffee and lunch breaks do not provide the special ingredient to impress the conference goer.

Mr Andy Flower, a business development manager for BP,

the oil group, has been involved in two conference events organised by Ms Cotton's company. The first was an 18th century themed party for 1,600 guests attending the triannual Liquefied Natural Gas conference. Underwritten by British Gas and Shell as well as BP, the whole event was "a chance for all the people involved in LNG to meet,"

he says. "From BP's perspective it's partly about our reputation. It's important to demonstrate our commitment to it [LNG]."

The event, held at Weston Park, a stately home just outside Birmingham, also acted as a "showcase for the UK," says Mr Flower.

The experience of hiring outside specialists to organise such an event persuaded Mr Flower to use the company when he had a meeting to organise with between 20 to 35 managers from Japan. The meeting included dinner at a Scottish castle as well as golf.

Rather than being a diversion from the events of the day, the social event in the evening is an extension of it, says Ms Cotton. "The difference between work and free time tends to get very blurred at these events," she says.

"People want to use every hour away from the office to best effect. They get more from taking part in a well-organised social event than from taking room service after a day at a conference."

Ms Cotton's company, set up eight years ago, specialises in large international meetings

and aims to provide a service that the conference goer would find difficult to buy for him or herself. Dinner at the Banquet-

Hall in London's Whitehall after using the Queen Elizabeth conference centre, across the River Thames, is one example.

The company has organised a conference for aviation security specialists with the British Airports Authority. It plans to use London's Science Museum for a dinner in the flight gallery underneath original flying machines.

A growing number of conferences are being organised in venues such as Thailand and Singapore as companies set up regional offices in Asia. The Event Organisation Company worked outside the UK some 30 to 40 times last year.

Using foreign destinations helps event organisers fulfil a key criteria: doing something different. This explains the popularity of using Eurostar last year. "Nobody had been through the tunnel so it was very popular. Now most people have," says Mr Moyles.

This is also the motive behind the diversification of Accidental Productions, which has provided Murder Mystery events since 1990. Having decided that "everybody must have been to a murder party" the company developed a new game show just over a year ago. But the murder parties are still popular.

■ Successful events: by Kate Bevan

## Exit polls may not be enough

Getting a message across - and identifying what it is - may call for professional help

The event is over. You are left to survey the rabble of your conference with its attendant dirty glasses and pile of business cards to follow up. Was it worth it? Should you have been there in the first place?

If you are asking that question next time consider a professional event management company to look at what you want to get out of it.

"Many conferences fail to deliver their promise," says Ms Dianne Lucas, director of Purchasepoint, a London-based marketing and communications agency. Some events "rush to create the feelgood factor or how the audience's mind," thus losing sight of the overall message. Others are so dull that delegates have hard put to it not to fall asleep.

A neither boring nor blinds them with gimmickry - starts with the planning. Indeed, that may be the most important part of an event. You should review your objectives and make sure that the event will deliver them. What do you want your audience to take away from the event? Consider your target audience and establish what view they now have of your product. Is that the view you would like them to have?

If not, define what it is you do want them to think about you. This means identifying

the message and then finding how to communicate that through the creative process.

"One of the most important tasks of the creative team is to choreograph the event in such a way that your audience retains the key message," says Purchasepoint.

When it is all over, many still evaluate the success of their efforts simply by the number of people that have passed by for a free drink and picked up brochures. Others may even organise an exit poll to find out what visitors thought of the conference. But raw numbers alone are not enough. While these questionnaires might give some idea about whether the guests liked the set design and the lighting, and help the organisers plan a more attractive event next time, they are of little use in evaluating more important things, such as whether visitors have the perceptions the company wanted them to have.

More sophisticated research and evaluation can help a company set much clearer marketing objectives for the future, although post-event evaluation is the "Cinderella" of the industry, says Ms Lucas, and has only been in place for the past couple of years.

Most common is quantitative research, when the simple methods such as exit polls can establish how many people came to an event and what they thought of it. Typical of this kind of research is the Audit Bureau of Circulations attendance certificate. The independent organisation's exhibitions division audits all the main UK trade and technical

shows; it provides a list twice a year of certified exhibitions and verifies attendance figures and broader data such as the number of stands and amount of space occupied.

One of the first to take part in such an audit was the 1985 London Motor Show, held at Earls Court. The audit confirmed that the number of visitors at the 10-day show was 425,557. Mr Peter Marr, director of research and media at the Incorporated Society of British Advertisers, hailed the introduction of the ABC audit as "the coming of age of the exhibition industry. For the first time, it puts exhibitions on the same platform as other

the end of the day anyone organising an event has to know that the message has been understood by the target audience. This is where a careful piece of research can deliver much more detailed results. For example, an agency can carry out a questionnaire before the event to measure people's views of the client or its product, and then follow the event with a further poll on whether those perceptions have been changed as a result, and, more importantly, if they have moved in the direction the client hoped for.

Armed with this information, a company can then devise the next part of its marketing strategy. That may involve other events to build on what has been achieved, or the company may decide it needs more public relations and fewer live events.

For the money it costs to stage a live event, you want a decent return on it. In other industries where huge sums are spent, nobody would dream of not evaluating the success of every penny. The same is true of live events. "You need to be able to quantify the benefits of an event," says Ms Vanessa Cotton, managing director of The Event Organisation Company, a London-based group.

That is fine as far as it goes, but research of that nature can also throw up some alarming statistics. The results of one evaluation carried out by Purchasepoint showed that 32 per cent loved the music; 49 per cent thought the video was great; 68 per cent enjoyed the food; 90 per cent loved the staging; but 75 per cent did not get the message.

That is the crucial point. At

■ Getting help: by Kate Bevan

## Let experts do the work

When you are setting up an event, does an organisation company yield better results than the DIY approach?

I hate DIY. The mess, my lack of expertise and the frustration of not having the right tools make it a nightmare. I would rather pay somebody to work for me.

Though that is true of decorating, in many cases the same principle applies to organising a conference or your stand at an exhibition. Some people hand the whole lot over to an event management company. Others boldly march down the DIY route, and still others take a middle course by using a venue-finding company handling the rest themselves.

To wash your hands of an event and let experts do the work can be a huge relief. Consider whether you want to detach staff from their regular job and have them spend time out of the office looking at venues. Do they know the best way to organise multimedia tools for your conference, such as video and audio-visual presentations? And can your in-house caterers cope with feeding all those people?

"It's a mistake to think that the secretary can handle setting up an event," says Ms Vanessa Cotton, managing director of The Event Organisation Company, based in south London. Her company claims to have the clout to negotiate with suppliers which a small ad-hoc in-house team setting up a one-off event does not have. It is an "off-the-shelf" expertise that can be cost-effective, she says.

The other benefit is that by calling in an event management group, you are buying quality assurance, argues Ms Cotton. You know that the company will not be making it up as goes along.

"Some events don't take a rocket scientist to organise," concedes one expert. In that case, you might want to go for a middle way, by using a venue-finding agency to listen to your ideas and turn them into a specific brief, and then develop the rest themselves.

For some, the in-house approach works better. Ms Catriona Gray, who organises stands for the Australian Tourist Commission, which is now P&O Events, "I'm a sort of poacher-turned-gamekeeper," she says.

If you decide on the DIY approach, careful planning is essential. You must define your aims and objectives. This is not just knowing how many people you want to turn up, but also assessing how the event fits into your marketing strategy and the message you want them to take away.

Setting a date is more important than it sounds as finding the venue can be a huge project in its own right. Does it have good air, rail and road links? Is it appropriate - a small country-house hotel might be ideal for a board-level brainstorming session, but not for a wider conference. You should also consider whether your guests need to stay overnight and if they can spare that time away from the office. And should you charge for the event? A nominal cost might reduce the no-shows - and thus help keep your budget under control.

But should you even be at a particular event? If your rationale is: "We've been there every year since the dawn of time," then an outside company can help you look at that with a fresh eye. "It often comes up in the early development stage with a client," says Ms Cotton, "that an event is not appropriate." In that case an event company can help you work out what it is you need, which might be to call in a public relations agency or to plan an advertising campaign. And it will probably be able to help find the right agency through its own contacts.

As in decorating, preparation is the key to a successful result. And getting the experts to do the time-consuming but vital work can ultimately make for a much better job.

The benefit of doing it in-house, says Ms Gray, is that it maintains a coherent feel to all the Australian Tourist Commission's events, which is particularly important for the commission as it acts as an umbrella body for several tourist-related companies and exhibits at events all over the world.

However, this approach may not work so well for other companies. The tourist commission has a unique advantage in Ms Gray - she used to work for Philbeach, which is now P&O Events. "I'm a sort of poacher-turned-gamekeeper," she says.

If you decide on the DIY approach, careful planning is essential. You must define your aims and objectives. This is not just knowing how many people you want to turn up, but also assessing how the event fits into your marketing strategy and the message you want them to take away.

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As in decorating, preparation is the key to a successful result. And getting the experts to do the time-consuming but vital work can ultimately make for a much better job.

can concentrate on getting the product right. At the same time, an event organisation company can work with an in-house marketing department to integrate a specific conference or event with existing marketing strategies such as advertising and public relations.

Purchasepoint, a London-based marketing and communications agency, says the process starts with approaching a live event as a live marketing campaign which draws together clients and agencies to plan the objectives before they start developing the event.

For some, the in-house approach works better. Ms Catriona Gray, who organises stands for the Australian Tourist Commission, which is now P&O Events, prefers to contract out as little as possible.

"We work closely with our public relations consultant and use the event venue's catering facilities, but we don't give the co-ordinating role to an outside company."

■ Roadshows: by Harriet Arnold

## Public scrutiny has its rewards

It sometimes pays to take a show to the audience, instead of the other way round

More than any other medium, roadshows expose the company or the brand to the scrutiny and comment of customers and employees.

The emphasis now, says Ms Dianne Lucas, director at marketing and communications company Purchasepoint, is on "effectiveness rather than effect" - on educating an audience rather than dazzling it.

Purchasepoint recently ran a prize-winning roadshow for Independent Insurance, the insurance company. The main aim was to reinforce communication with successful, busy brokers already bombarded with messages, says Ms Lucas.

"The approach was to recognise their elite status and to make them feel special." The brokers received hand-calligraphed invitations to travel by limousine and helicopter to state home venues.

When Tesco wanted to promote its in-store pharmacies last summer it asked Mr Mike

Blackman of events consultancy Touchwood to run a six-week roadshow. The main target audiences were mothers of young children and the elderly. Attractions included free consultations with the store's pharmacist and a nutritionist.

"The British love to queue," says Mr Blackman, "but they don't like to ask questions, so we used a machine that printed out details such as people's weight which they could ask the experts about."

A Microsoft launch always involves going on the road, but for Windows '95 last autumn the software maker tried a different approach by organising events in partnership with its biggest dealers, who contributed some of the cost. The Start It Up tour - using the Rolling Stones lyric - comprised 26 shows held in 30 days in business concentrations from Scotland to the south-west. The first event, at London's Queen Elizabeth II centre, featured a speech by Mr Bill Gates, Microsoft chairman, to 1,200 important customers.

"It was a huge logistical challenge," says Mr Chris Lewis, reseller group manager for Microsoft. "At each event, the local reseller partner was

coming in with training assistance and consultancy services, so the customer was getting both sides of the story at the same place."

HP regularly runs roadshows across Europe. "They could do direct mail only, but there is no other mechanism for taking the message to the resellers, salespeople and customers dispersed across Europe, who appreciate the effort," says Mrs Diana Shields, account director at Spectrum Communications, one of the largest corporate event producers in Europe.

The company ran a two-week roadshow last month, aimed at third-party vendors in Europe. The key presenters were from Stuttgart. The roadshow travelled 10,000 miles, visiting 17 destinations from Madrid to Warsaw. The tight schedule was achieved by doubling up and using two trucks.

Event marketing company RPM last year ran a roadshow for Glenfiddich in Spain over seven months in 27 cities. "The main aim was to encourage people to drink it as a copa (social drink), and more often.

RPM runs a summer roadshow to 30 of Britain's agricultural shows for Marks and Spencer. "The aim is to communicate to consumers and farmers the strong link between British agriculture and Marks & Spencer," says Mr Ross Urquhart, joint managing director at RPM. A huge tent divides into sections such as a hospitality area or a sandwich bar, which sells Marks & Spencer food at high street prices. When motivating the producers, says Mr Urquhart, "what better way than for them to see the product and understand the story behind it?"

For international flotations and privatisations, the roadshow is "the final and perhaps the most important element of institutional marketing," as fund managers want to meet the top level of the company, says Mr Simon Bruxner-Randall, director in the financial markets team for Imagination.

One of his most challenging assignments has been co-ordinating the international roadshow for PT Telkom (Indonesia) last autumn. Telkom's management split into two teams visiting 32 cities across four continents in 19 days, giving 20 formal presentations and 117 one-on-one meetings.

## Bologna's international exhibitions 1996 at the centre of Italy, at the centre of international trade

**Arte Fiera**  
International fair of contemporary art  
26th - 29th January

**Saca**  
Exhibition of mouldings frames, accessories and technologies  
15th - 18th February

**Europolis**  
Exhibition of technologies for a liveable city  
22nd - 25th February

**Micam**  
International footwear exhibition  
7th - 10th March

## CONFERENCES, EXHIBITIONS AND TRAVEL III

Presentation: by Diane Summers

## First: keep the audience awake

**By learning some basic principles, most people will get the confidence to speak in public**

The lunch was substantial, there was a glass or two of wine, and now the delegates are settling into their seats for a stretch of, perhaps, five speakers during the course of the afternoon.

Just keeping the audience awake is a challenge in itself: to stimulate, entertain and inform, particularly during the post-lunch graveyard shift, is a challenge which takes skill, preparation and practice.

Ms Cristina Stuart has probably seen more horrors and triumphs on the conference platform than most. As the managing director of London

based SpeakEasy Training, a consultancy which helps businesspeople improve their presentation in public, she believes conference speakers often neglect some basic principles.

The first of these basics is the need for thorough preparation. Most people will be squeezing the speechwriting into a busy working day and will fail to allow enough time for research, drafting and practice, she says.

Practising needs to be done aloud, complete with gestures, and needs to be right through to the end of the speech. "Often the first quarter is well rehearsed and the last quarter is not rehearsed at all."

Mr Brian Johnson - an experienced speaker as former worldwide business development director of advertising agency J. Walter Thompson -

stresses the need to research both audience and venue. Get a clear brief from the organisers and check the level of technical expertise and interest the audience is likely to have, he says.

The venue also needs checking, says Mr Johnson, if speakers are to avoid, for example, walking into a room with a carousel of elegant slides "only to find that a sunny afternoon and inadequate curtains render them useless". If it is not possible to see the venue beforehand, he suggests asking the organisers to fax details of layout and facilities.

Even with these safeguards, he advises arriving 45 minutes to an hour beforehand "so you can get the feel of the place and set up your equipment and run through your material".

Novice speakers often try to cram too many facts and figures into their presentations, says Ms Stuart, when the things that really capture the interest of audiences are "personal stories, illustrations, examples that are live and warm". Clearly, some speeches will need to be more factual than others, but she warns against "sacrificing enthusiasm and sparkle on the altar of accuracy".

Mr Johnson, who recently set up a Paris-based consultancy called the Firestarter Company, to help people with their presentation skills, suggests using a Hollywood film technique when preparing a speech.

"Signposting" a speech is vital but is so seldom done, says Ms Stuart. The speaker should "share the route map with the audience at the beginning of the presentation". It might help to portray a typical family of the future and how electronic media might shape its life.

"Generalising from the particular helps to engage an audience," he argues. For example, if the subject of a talk is "Interactive Television", it might help to portray a typical family of the future and how electronic media might shape its life.

"The way to do this is to make a presentation like a mountain range or series of peaks. Each time the speaker hits a peak, a new slide, video or piece of music should be introduced.

If the presentation is supposed to be about 20 minutes long, it is best to think of it as seven, three-minute presentations.

"This discipline will encourage you to focus on, say,

seven key points that you want to get across," he says.

Ms Stuart argues that it is difficult to inject life into a talk that is being read. Reading flattens the voice and reduces eye contact with the audience.

It also means the speaker has to stand behind a lectern, so the presentation is static and without gesture.

"We recommend people speak from notes so they can extemporise and it sounds

fresh. We also get people to stand away from the lectern if they possibly can. A radio microphone that's free of cords enables you to walk around the stage," she says. For the novice, who might be intimidated by this idea, she suggests standing to the side of the lectern and pretending to have a heart attack, was duly carted off.

"Very often people get into a panic because they are not breathing well. When they are nervous they tend to take shallow breaths, rather than deep breaths which allow oxygen to the brain," she says.

If the panicking speaker had taken two or three deep breaths and looked at his notes, he would probably have been able to pick up the threads of his talk. He could even have asked the audience to help remind him where he had got to.

Speakers might feel audiences are against them, she says: "But it's not true. The audience wants you to succeed. They so want you to recover from any disaster."

Finally, if the worse should

### See the venue beforehand or ask the organisers to fax details

the audience," is her rule, so if a conference is over a weekend and the audience is wearing casual clothes, the speaker still needs to wear business dress.

"If you wear a woolly sweater and the audience is against them, they'll probably be perceived as a casual-thinking sort of person," she says.

Finally, if the worse should

The airlines: by Michael Skapinker

## Rude shock for discount passengers

**Frequent flyer schemes are likely to alter, rewarding just those who pay higher fares**

Only the most dedicated of air travellers will be able to decode the following sentence, from the recent edition of a travel magazine: "Qualiflyer looks set to become the Forrest Gump of this year's Freddie's."

Forrest Gump - an American film about an awkward young man who, implausibly, becomes a hero - won a string of movie awards. Qualiflyer is the frequent flyer programme of Swissair and Austrian Airlines. Freddie's, named for cheap fares pioneer Sir Freddie Laker, are the awards which Inside Flyer, the magazine, gives to the frequent flyer awards most praised by its readers.

The readers liked Qualiflyer best of all, with British Airways Executive Club coming second. Inside Flyer is entirely dedicated to frequent flyer schemes, and the dozens described in its pages are testa-

ment to how hard airlines are fighting for customers.

Airline profits have increased over the past year, but most carriers report that fares remain depressed. Hence the fierce competition to win passengers.

In theory, this should be good news for air travellers: fares remain reasonable while airlines fight for their custom, offering frequent flyer points, and the accompanying free holidays and other gifts.

As many passengers know, however, the reality of air travel remains the same, with frequent delays, poor food and uninterested staff. Increasingly, many of the perks that airlines promise their passengers are becoming available only to those prepared to pay more for them.

All airline customers are welcome, but those prepared to fly first or business class are more welcome than those who do not.

Flying first or business class does not just mean receiving a wider seat with more legroom. Fly first class with United Airlines, of the US, for example,

and a host of other privileges come with the ticket.

There are separate check-in desks, of course, where you are greeted by a concierge to deal with any requests you have.

United says it will try to ensure that first class passengers' boarding passes are prepared in advance, eliminating the long minutes the check-in desk computer usually takes to

**Many of the perks that airlines promise their passengers are available only to those prepared to pay more for them**

make up its mind about where to put you.

Not only do United first class passengers eat off china plates rather than from plastic trays, they can also decide when they

want to eat. They are free from the rude shock of being woken from a deep sleep for breakfast; in first class you decide when you want to be woken up for breakfast.

This differentiation between higher-fare paying passengers and the rest has been around for almost as long as air travel, of course. Last year, however, British Airways introduced a new element which has angered many of its old customers.

Starting in November last year, BA said that frequent flyer points and air miles would only go to passengers who paid the full fare on their tickets. Travellers looking for discounts were told they would have to forgo their frequent flyer points.

BA said there were simply too many people on its Executive Club scheme. The airline said: "Under the old scheme, we were under-rewarding first and club class tickets and over-rewarding discounted tickets. Our lounges are bursting at the seams. It's a question of redressing the balance. The aim is to reward high-yielding

travellers, but people on discount tickets were enjoying the benefits."

Mr Randy Petersen, a frequent flyer schemes expert and editor of Inside Flyer, believes travellers will simply have to get used to the sort of changes BA has made. Others, he says, will follow.

He points out: "In any business, it's more challenging to be a trailblazer than a follower. You'll see more of these types of changes from other frequent flyer schemes in the year ahead."

BA's changes to its scheme coincided with an upgrade of its first and business class cabins, with the introduction of new first class seats which convert into beds.

Travellers who prefer flying on discounts and believe the large airlines do not value their custom can, to a greater extent than in the past, take their business elsewhere. Budget air travel has been a feature of the US aviation scene for some years. Carriers such as Southwest Airlines and ValuJet have undercut the fares of large airlines by offer-

ing fewer services on board.

Although the European airline industry is less competitive than in the US, budget airlines have begun to appear, particularly in the British Isles. Ryanair, a Dublin-based airline, and EasyJet, based at London's Luton airport, have modelled themselves on the cut-price US carriers, offering low fares on short journeys

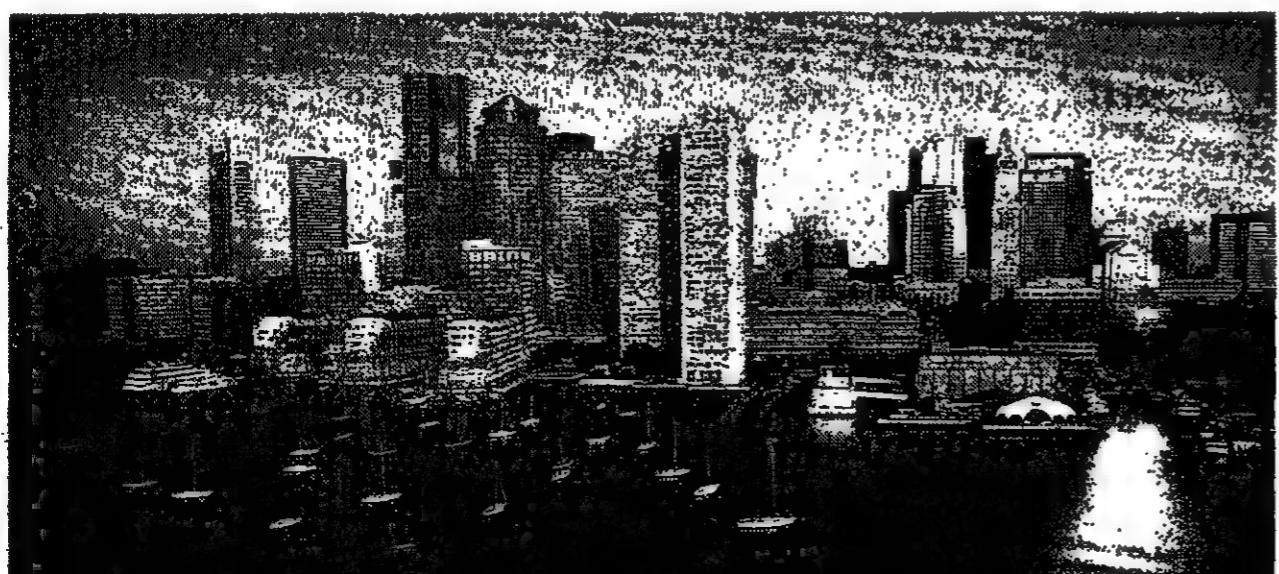
and not serving meals on board.

The airlines fly between UK and Irish cities, but are both planning to extend their services to continental Europe.



United Airlines: a host of privileges if your ticket is first-class

Glyn Green



The British invaded Boston back in

the eighteenth century, attempting to

suppress the American Revolution. This

extended our naturally hospitable

nature, and we had no choice but

to insist that they go home. Now the

British are back—along with

everyone from the French to the

Jacuzzis. This time, however, we

couldn't be more pleased. After all,

the excitement they're looking for

has nothing to do with battle, but

rather our unforgettable sights,

dining, shopping and entertainment.

No wonder this is the perfect place to

hold a conference. Your group can

even get an own-inspiring whale watch

cruise. Savor fresh local seafood, or sample other cuisines from around

the world. Watch an exciting Celtics

basketball game or Red Sox baseball

game. Walk the historic Freedom Trail

or visit the New England Aquarium. Best of all, most

of our unique attractions are within

easy walking distance—including the

Hynes Convention Center. Situated

in gorgeous, European-inspired

Back Bay, it provides an ideal

venue for your next meeting, conference or exhibition.

You'll be pleased to learn that

Boston is closer to Europe than any

other major American city. To find

out more about why you should set

your sights on Boston for your next

meeting, contact the Hynes; call

(617) 254-2000 or fax (617) 254-2125.

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## IV CONFERENCES, EXHIBITIONS AND TRAVEL

**Travel agents:** by Scheherazade Daneshkhu

## The art of venue-finding

Agents can come up with new ideas and negotiate rates for accommodation and travel

Good organisation is the key to the success of any conference. But finding a venue and arranging travel for a large number of delegates takes time and resources which many companies may ill-afford to spare. Hence the attraction of delegating the work to outside bodies, including business travel agents.

In a survey on the UK conference market, the Meetings Industry Association found that travel agents

ranked second, after equipment supply companies, when members were asked which external source they used to help in event organisation.

Mr Roy Tatty, president of the Meetings Industry Association says: "I think business travel agents are an important part of the process for buyers to get the best possible deal in securing venues which do not necessarily have to be hotels."

The association is planning to work more closely with business travel agents. It will provide the Guild of Business Travel Agents, whose members manage 80 per cent of the UK business spend, with its consumer and buyer research.

It is also setting up a 12-member Meetings Industry Advisory Board. "The idea is to get a better understanding of buyers' needs and how best to satisfy demands for services such as state-of-the-art technology and video conferencing," says Mr Tatty.

If conference organisation is time-consuming for companies, the same is true for business travel agents. Travel management companies such as American Express and Hogg Robinson have specialist divisions to handle groups, conferences and incentive travel.

"Venue-finding can take days, especially when you take site visits into account. It's a specialist area involving

moving perhaps 200-300 people and the average business travel agent is not geared up to it," says Mr Jeff Reynolds, divisional manager of group travel at Hogg Robinson.

Most business travel agents have venue-finding software with details of possible hotels and other facilities. Since the travel agents are in constant contact with international hotel chains, they are theoretically well-placed to come up with ideas for the venue and to negotiate rates for accommodation and travel. They should also be able to charter aircraft if necessary.

The starting point is the size of the corporate client's budget. The agent then researches the possibilities,

including handling correspondence to destinations and comes up with a range of choices for the client.

Business travel agents say there is little evidence that companies are economising on their conference spend but they demand value for money and have become more aware of what is available.

"Conferences and incentive travel are a big growth area," says Mr Reynolds. "Now that companies are coming out of recession, they are spending more on training staff. Meetings tend to last longer, perhaps three or four days instead of one or two days a few years ago."

Mr Niall Mackin, director of sales, conference and incentives division at American Express, says the destination and the time of year are the key to getting the

best deal. "We have just held a conference in Vancouver partly because it is relatively easy to get to for an international conference but also because it is low season there. We can secure a five-star deluxe hotel if the chosen destination is in low season which, depending on the budget, might be impossible in high season."

**The destination and time of year are the key to the best deal**

Another way of keeping costs down is to persuade the company to send delegates on as few flights as possible. "We get big savings if the group travels together or on a

maximum of two flights because it's a block booking and group generally don't cancel," says Mr Reynolds.

When it comes to popular destinations, country hotels are always in demand because of the relaxed atmosphere and range of leisure activities on offer.

Internationally, Barcelona, Malta, Cyprus and the US are all popular.

Mr Reynolds says Disneyland Paris is also in demand because of its hotels and good transport links.

The range of services offered by larger business travel agents may sometimes exceed the needs of clients. Some companies will want the agent only to find the venue and get delegates to it at the best possible price. Others may want the travel agent to manage the event as well and to appoint representatives at

the destination to supply ground transportation and to be behind the help desk at the conference. "Our job doesn't finish the day the conference starts," says Mr Mackin. "We start overseas representatives and can execute the conference on location."

Payment for conference and incentive services is handled separately from daily travel arrangements between client and business travel agent. Some companies prefer working with agents on a fee basis while others are happy for them to be remunerated by commission from hotels and airlines.

Mr Mackin says the latter case does not conflict with negotiating the best rate. "We negotiate to get the best deal possible which reduces our turnover but is essential if we want to build client loyalty."

**Rail services:** by Charles Batchelor

## A high-speed future

As networks become established nationally, the next step is to link them across borders

High-speed train services are starting to link the main business and conference centres of Europe, though the number of cross-border connections remains very limited. Most high-speed lines, like their conventional counterparts, have been planned with national travel considerations in mind.

But with the start last year of cross-Channel services linking London, Paris and Brussels, a new era of high-speed international travel has begun. The European Commission, meanwhile, is working on an ambitious programme of trans-European networks (TENs) to put in place of the missing

**Rail travel allows more usable time for work or rest**

cross-border links.

The response of the airlines to this challenge to their short-haul routes has so far been muted but rapid rail travel has the potential to pose a serious threat within a very few years. Eurostar trains through the Channel tunnel have already seized 40 per cent of the total market and they expect to have reached 50 per cent in early 1996.

Business travel is relatively insensitive to price but is strongly influenced by service quality and speed. Rail services gain by being able to deliver the business traveller directly to a city centre or exhibition complex without the delays and hassles of the journey into town from a distant airport.

Congestion on the ground at many airports and in the air make rail a more attractive option over medium distances, usually involving total travel time of two to three hours including one hour in the air. Apart from offering comparable or even faster speeds door-to-door, rail travel also allows more usable time for work or rest in a single chunk instead of broken up by waits at check-in, before take-off and in-flight.

In Europe France has the most extensive high-speed network but Italy, Germany and Spain are also hard at work

and may well become the norm within 30 years, according to some rail engineers.

Increased speeds depend on continued refinement of the existing trains with the greater use of lightweight composite materials and improvements to engines and cooling systems. Running services across national boundaries means trains must be capable of running on several different electrical power and signalling systems.

Stowing all this equipment beneath train floors and keeping its weight low is a considerable challenge for the engineers. France's high-speed track is designed to carry trains with a maximum axle weight of 17 tonnes – greater weights are too punishing for the track – while Deutsche Bahn is designing its next generation of ICE trains to weigh a maximum of only

**Challenge of running trains on different systems**

15 tonnes per axle.

But high-speed rail travel depends not only on improved trains but also on better signalling systems and track. Drivers cannot read line-side signals at speeds of 300 kph so signalling instructions have to be transmitted by radio to in-car monitors.

Conventional railway track, based on crushed rock or ballast, is also less suited to high-speed travel and German engineers are looking to substitute track fixed into slabs set in asphalt. This would be more expensive to install but should cut maintenance costs.

Whichever methods are used, building special track to take high-speed services is very costly and rail operators are looking to maximise speeds over conventional or slightly modified track. The answer has been found in tilting trains which can smooth out the curves of conventional track yet maintain speeds of up to 250 kph.

Tilting trains, which are now in use in Sweden, Italy and Germany, are expected to make an even greater contribution to high-speed travel than specially built high-speed expresses. Together, the two technologies are expected to improve the attractions of rail as a means of rapid business travel.

The maximum operating speed on European high-speed lines is 300kph (186mph) but France has plans to run trains at up to 350kph on its new route east of Paris. Speeds of up to 500kph will be possible



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**Airports:** by Michael Skapinker

## Everything for the global day-tripper

Is there a better place where travellers from around the world can get together?

Watching late-night television in the living room at home after an exhausting day at the office is a common experience. Resting at home after spending a tiring day in a foreign country is also becoming increasingly common for many business travellers.

It was during the worldwide recession of the early 1990s that employers began asking staff whether they really needed to spend a night in a hotel when they went to meetings and conferences abroad. Why not get up early, catch the first available flight out, attend to business, go to conferences and meetings and take the last aircraft home?

Not all employees are averse to this idea. It makes for a tiring day but cuts down on time away from the office and family.

Travel logistics, however, tend to defeat the objectives of the business day-trip. Where conferences and meetings are held in traffic-congested cities, getting to the venue on time is a problem.

Holding conferences and exhibitions at hotels close to airports is one way of reducing these difficulties. Another alternative is to arrange meetings at the airports themselves.

Airports, of course, offer a large number of flight connec-



Schiphol Airport, Amsterdam, boasts a casino – but for transit and departing passengers only

tions, so that travellers from several different countries can get together for meetings and conferences.

Several airports have conference facilities in or close to their terminal buildings, so that travellers do not have to risk getting stuck in the traffic into the city centre.

Stansted, in Essex, outside London, is one of the less well-known of the capital's airports, although it is one of the most attractive and best designed.

There are meeting and conference rooms for up to 40 people. Stansted offers catering to conference goers, as well as over-night and side projects.

Last year, Schiphol airport opened what it called the first airport corporate meeting centre in the world where compa-

nies can subscribe for space. Companies can take out a subscription which entitles them to organise 15 meetings a year at the centre in rooms which accommodate up to 18 people, with meals available.

Schiphol provides other facilities of the sort that conference-goers might expect to find in large cities, but not at airports. Last year, it opened a casino at the airport. The Schiphol casino is for transit and departing passengers only.

Gamblers are not allowed in without a boarding card. The only difference between the Schiphol casino and those in city centres are the frequent flight departure announcements, aimed at those who have become too

**Car hire:** by Kate Bevan

## Benefits of computer booking

The vehicle can now be arranged when the hotel and the flight are being booked

The days when a traveller arrived at an airport car-hire desk after a long flight and started from scratch are over.

Today's conference-goers are reluctant to spend ages filling in endless forms and negotiating on price, only to find that the desired executive mobile with air-conditioning, in-car CD and telephone is not available and all that is left is a battered Mini.

"The market is becoming much more integrated," says Kerry Chester of Hertz. "If you're a member of the BA Executive Club or whatever, and give a membership number, all the details are there – the name is up in lights already, and it kicks in the deposit automatically."

Car hire companies usually have links with airline frequent flyer schemes, too, which means that members of such clubs can add miles to their accounts by choosing an airline partner. For example, members of the Qantas frequent flyer club and the Brit-

ish Airways Executive Club have preferential rates with the corporate buyer. However, the less good news is that the industry is catching up with economic recovery by increasing prices, and in some cases, returning to the practice of charging mileage fees. Mr Aidan O'Kelly, Hertz UK managing director, said recently: "I would be surprised if rates throughout the industry did not rise by a minimum of 10 per cent in 1996. But they will not all be going up at the same time or by the same amount."

Hertz says the pressure to increase prices has come from a sharp rise in insurance costs, as well as increased airport concession fees and a fall in the second-hand value of cars.

In spite of complaints from car rental companies about hard times, the market is looking up, according to Euromonitor, the international market research group, with the US market rising most strongly. With almost 1.5m vehicles available for rent, the US market is the biggest by a long way, and Euromonitor values it at \$12.4bn in 1994 and growing at a nominal rate of 11.7 per cent since 1993.

Although France contracted by 15 per cent between 1993 and 1994, Euromonitor expects a sharp improvement there with growth of 80 per cent over the next five years.

Indeed, no traveller need ever pay the full advertised rate for a car, or for that matter, for a hotel. Special deals and price breaks abound. There are the rates agreed between car

hire companies and corporate travel buyers; there are local rates and packages; there are special rates which form part of packages for conference-goers, and there are rates for those in membership clubs such as the Hertz #1 Club.

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imposed a fee of 25 cents a mile after the first 100 in some cities, and 29 cents per additional mile in New York.

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■ South-east Asia: by Bethan Hutton

## Where staff are not yet blasé

South-east Asia has some of the fastest-growing tourist destinations and most dynamic economies in the world, so it is hardly surprising that the past decade has seen strong growth in conferences and exhibitions. The area's rapidly expanding economies have created demand for regional conferences, as well as attracting business from Europe and north America.

The bulk of the conference market is still intra-regional: all-Asia or east Asian meetings on financial, medical and technological themes. But south-east Asia has also made inroads into the global market. If participants are coming from all over the world, Hong Kong or Singapore have transport links as good as anywhere else, as well as the advantage of being seen by many as exciting, exotic destinations.

Those two self-contained cities are indisputably the premier conference locations in the region. Their positions as air hubs, their advanced infrastructure and concentrated layout, and the large number of top-class hotels all contribute to their pre-eminence.

The advantage of less developed destinations, on the other hand, is

that luxury accommodation, complete with international brand names, can be had for considerably less than the equivalent further north in Asia, Europe or America. As one conference organiser says, service is frequently better in these newer conference locations, as the staff have not yet become blasé about their work.

One of the mainstays of the south-east Asian business hospitality market is incentive travel —

### The global appeal of Hong Kong, Singapore and less developed places

internal company "conferences" in an exotic location as a reward for high achievers. Indonesia, the Philippines, Malaysia and Thailand are particularly well placed to cater for this market, with their beach resorts and lower prices. However, corporate belt-tightening in Europe and the US has led to slower growth in this area, and Australia, an important regional source of incen-

tive travellers, has extended a fringe benefits tax to incentive trips, which has led to events either being scrapped, or repackaged with a more serious business component.

Tourist offices have plenty of suggestions for a recreational component to the gathering, no matter how serious its main theme. Hong Kong and Singapore are well known for their eating and shopping opportunities, but Hong Kong also offers delegates the chance to take part in dragon boat races, or a retreat at a local temple. Beaches and water sports are a big draw throughout the southern part of the region, but for the more adventurous, how about team-building war games on tropical islands off the Philippines, elephant safaris in Thailand, orang-outang watching in Malaysia, or volcano climbing in Indonesia?

If your conference is strictly business, the choice of venue and range of facilities is growing by the month. Hong Kong's position as a prime conference location might seem overshadowed by its return to Chinese administration in less than 18 months, but all the building work does not give that impression.

Besides the new airport and several five-star hotels, a clear declaration of optimism is the extension to Hong Kong's main conference venue — the Hong Kong Convention and Exhibition Centre — currently under construction, and due to be completed in mid-1997. It will increase the venue's capacity considerably, with one hall capable of seating 4,500. In addition, the 170,000 sq metre International Trade Mart Centre, catering mainly to trade exhibitions, opened last year.

Hong Kong tourism officials point to a conference diary with international bookings right up to 2005 as a sign that the business community is also confident of the territory's future. One notable booking is the annual meeting of World Bank group and IMF boards of governors, scheduled for September 1997, two months after the handover.

Singapore is the leading Asian city in the global convention league table published by the Union des Associations Internationales; in 1994 it was ranked sixth in the world, the only Asian city in the top 10 for the 12th year running. Singapore has its eyes on further growth, as the Singapore Interna-



A sign of optimism: how the extended Hong Kong convention centre will look

tional Convention and Exhibition Centre, which opened in August 1996, reaches its operating capacity.

Later this year it will host the first ministerial conference of the World Trade Organisation.

The Philippines is celebrating the 20th anniversary of its national conference centre with a big marketing push for 1996, and is also trying to relaunch its image as a business destination after the political upheavals of recent years. The country's appeal is based on value for money and the widespread speaking of English.

Malaysia is also trying to catch up with its competitors in the region. Hotel room numbers are set to increase by almost 42 per cent

however, and there is a wide choice of hotels. Jakarta's convention centre can cope with receptions for up to 5,000 people.

Thailand's largest venue, seating up to 5,200, is the Queen Sirikit National Convention Centre in Bangkok, sophisticated modern complex opened in 1981. Its biggest gathering this year is likely to be the Rotary International conference in October, to which up to 15,000 delegates are expected.

Several countries are encouraging organisers to look beyond their capital cities, which are often crowded and polluted, to smaller cities or even resorts. These second-tier locations can be well suited to smaller conferences, containable within one hotel, or incentive trips. Big exhibitions, however, are generally tied to large urban sites. Thailand is promoting its second city, Chiang Mai, and even the resort of Phuket, as small conference venues. Indonesia is plugging Bali and Bandung as alternatives to Jakarta.

There is still potential for expansion in the region. Cambodia, Burma and Laos have yet to reach the stage of becoming regular stops on the conference circuit — though hotel developers have already moved in — but Vietnam is making rapid progress in that direction. As the new capacity becomes available, competition is bound to intensify in the region, but the target markets are also expanding.

■ Germany: by Judy Dempsey

## Leipzig changes ways

Fair organisers know that city and state support can no longer be taken for granted.

The planners and architects of Leipzig's new trade fair centre due to open in April have learned a thing or two about "user friendliness".

"The exhibition complex replaces the old fairgrounds located near the centre of the city which, under the former communists, had for years hosted two annual fairs, mostly attracting east European enterprises.

Unlike the sprawling trade fair centre in Berlin, the new Leipzig fair centre is designed not to test the patience and resolve of the visitors, often considered the features of the giant ICC centre in Berlin. Instead, its philosophy is to make access easy, efficient and as problem free as possible for those who work in it.

The days when the visitor or the exhibitor had to walk miles to visit a stall or set up shop may be at an end in Leipzig. Goods can be delivered up to the side entrances of the exhibition halls, public transport is just a stone's throw from the main entrance, the halls are reached through connecting bridges. Above all, the communications system is designed to minimise frustration and increase contacts and sales. For example, Siemens has installed switching and transmission equipment, worth DM10m. This includes SDE, or Synchronous Digital Hierarchy, allowing the transmission of 622 megabits per second. Multimedia buffs would feel at home.

Leipzig certainly has the benefit of hindsight. But like Germany's other trade and conference centres, it has also benefited from generous financing by the city and state authorities. About DM500m of the construction costs — which will amount to more than DM1.5bn — are to be raised from selling off part of the old fairgrounds. Ownership of the new fairgrounds will be shared between the city and the state of Saxony. They will also share the remainder of the construction costs as well.

Other trade fairs in Germany are also having to adapt. An uncertain financial future hangs over them because the

city and states may soon be no longer able to afford to continue to subsidise or own them so as to insulate them from genuine competition.

Germany's towns and cities expect a deficit of DM11.9bn this year, a slight improvement on last year's record of DM13.4bn. The organisers representing them expect a difficult year because of lower tax receipts caused largely by slower economic growth.

At the same time, they are

The days when each fair could flag itself as the annual event for toys, furniture, cars or computers are over

being pressed by the federal authorities in Bonn to private, or contract out, certain services. These range from the collection of garbage and provision of clean water supply to the maintenance of swimming pools and playgrounds. There is no reason to suppose that exhibition centres will not be subject to the same discipline.

Though not yet adversely affected by these financial problems, the trade fairs are beginning to realise the pressures they will have to face in the near future.

Under the current arrangements, Germany's exhibition centres are generally owned by the city and state governments. This has considerable advantages. The city and state carry the property costs and employ their own fair organisers. This means that the centres are not under pressure to reap rewards from ticket sales or the amount of space they rent. Instead, they are recognised as important instruments for boosting the local economy. Last year alone, German trade fairs managed to generate revenues of DM3.2bn and another DM1.6bn in local business, according to the Association of German Fairs.

But Germany's fair organisers do not know how long they can continue to rely on the support of city and state. Which partly explains why so much investment this year is

being undertaken to revamp the fairs, perhaps with the aim of making them attractive for outside management for some of the exhibitions.

Over the next five years, more than DM5bn will be invested in new buildings, which will include modernising the infrastructure of, for example, communications. Over DM800m alone will be allocated to upgrading the Deutsche Messe in Hanover. This is the world's largest exhibition centre. It will also host the Expo 2000 exhibition.

The fairs are changing in another way as well. The days when each fair could flag itself as the annual event for toys, furniture, cars or computers are over. Money is tight. The fairs are beginning to diversify and come up with more ideas to generate revenue and make space earn its living.

Consider Leipzig's punishing schedule for this year: in April, it will kick off with an international automobile fair, followed by 19 other fairs, ranging from multimedia to the conservation and preservation of old buildings. It is no longer the case that one place can be synonymous with an antiques fair or over. Despite generous support from the city and state, Germany's fairs are beginning to compete with each other for exhibitors, visitors and profits.

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Association of German Fairs, the

power to create stunning presentations has been given to a mobile workforce

Over the past decade, the development of easy-to-use software and lightweight portable multimedia personal computers has put the power to create stunning presentations while on the move in the hands of an increasingly mobile workforce.

The market for "notebook" portable PCs is one of the most dynamic segments of the computer industry, fuelled by the growth of flexible working, particularly in the US, western Europe and Japan.

BIS Strategic Decisions, the

market research organisation, estimates that there are 3m "mobile professionals" in Europe and 27m in North America — people who spend at least 20 per cent of their time away from their desks. Many of these are executives or sales representatives who need to prepare and give presentations while on the move.

Japanese portable PC manufacturers including Panasonic and NEC led the way with early machines boasting multimedia features. Today most of the main manufacturers of portable notebook PCs including the market leaders, Toshiba, IBM and Apple Computer, supply Pentium processor-based machines which come equipped with CD-Rom drives and sound cards ready to be

Olympics will see a remarkably spruced up town. Chief among the improvements — and one that will certainly make future conference visitors' lives more pleasant — is the Centennial Olympic Park. The 21-acre facility is being built in the centre of town, in effect linking three of the city's main convention facilities, the Georgia World Congress Center, the Georgia Dome and the Atlanta Market Center.

At a cost of \$57m, the privately funded park will be a key public gathering place during the games with entertainment and pavilions. It will then be converted to a public park. It is the largest green space added to an American city in 28 years. After the Olympics, a \$15m mixed use complex will be built facing the park, including a \$2m 318-room Holiday Inn Crowne Plaza Hotel.

The Olympics, which will be seen by an estimated global television audience of 3bn, in addition to the 2m spectators who actually attend the games, will win a hefty share of world attention for Atlanta. Yet in the run-up to the games, the city and the state of Georgia have not missed a beat to promote themselves. They hope that this new visibility with foreign business and audiences will translate into increased international investment and convention trade.

The state's current \$8m worldwide advertising campaign, "Georgia Global Now," has been placed in prime international business publications and broadcast media, including CNN International, the Asian Wall Street Journal, Nikkei Business and the Financial Times. The Atlanta Chamber of Commerce has been conducting its own promotional campaign for the city, spending about \$1m worth on advertising.

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The Georgia World Congress and the Georgia Dome are also adding to greenery to the town centre, in a peculiarly American fashion: They will construct a \$2m parking garage with a six-acre rooftop park, which they expect will enhance their drawing power.

The city itself is undergoing a downtown facelift, to make it more pedestrian-friendly and, city promoters hope, more attractive for business travellers.

The sidewalks of the main thoroughfares are being widened and lighting is being improved. Auburn Avenue, the renowned African-American historic district and site of a Martin Luther King Center, will be renovated with new seating, entertainment and shopping areas.

Atlanta's larger hotels have also gone on a renovation spree. Most notably, the Hyatt Regency Atlanta will open its new \$35m expansion this month. The hotel, which ranks among the top business facilities in the city, has a new 30,000 sq ft ballroom and a

A six-acre rooftop park at the \$28m garage will add greenery to the town

40,000 sq ft exhibition hall. The expansion increases to 180,000 sq ft its ballroom, meeting and hospitality space.

Other hotels have spruced up, such as the Atlanta Airport Hilton with \$6m worth of new carpet, the Atlanta Marriott Northwest with \$3.5m of renovation of guest rooms and the Clarion Hotel Downtown with \$2m worth of improvements. In addition, 6,000 new hotel rooms will have been built between January 1, 1996 and the Olympics. That represents a 13 per cent increase on the total of 55,000 hotel rooms currently available in the Atlanta metropolitan area. However, smaller, limited-service hotels and motels, mostly located in suburban areas, make up the bulk of these.

These improvements are expected to enhance the city's attractiveness to the convention and exhibition trade. Mr Crane is even holding back on some of his advertising budget until after the Olympics so that he can then wage a "Look at Atlanta Now" campaign.

The city, which plays host to more than 2.5m conference visitors a year, boasts four major convention or exhibition facilities.

□ The Georgia World Congress Center, the second largest after Chicago's McCormick Place, is the most booked convention facility in America. With 950,000 sq ft of exhibit space and seating capacity for 100,000, it is already 88 per cent reserved through 2004.

□ The Dome, which is home to Atlanta's professional football team, the Falcons, and the GWCC will be the sites of various Olympic events this summer and are considered part of the reason why Atlanta won its bid for the games in the first place.

Two other major facilities are:

□ The Atlanta Market Center, a constellation of four sites with a combined total of 296,000 sq ft of exhibit space, and

□ The Georgia International Convention and Trade Center, which with its adjoining neighbour the Hyatt Atlanta Airport Hotel, has 145,000 sq ft of exhibition space and 48 meeting rooms.

Although the World Congress Center, the Dome and the Atlanta Market Center are all in the heart of Atlanta's downtown, the Georgia International Convention and Trade Center is a two-minute shuttle ride from Hartsfield International Airport.

For information call: Atlanta Convention & Visitors Bureau (404) 521 6200.

weight is a prime concern. For creating presentations Microsoft's PowerPoint programme, sold separately or as part of the software giant's Office suite, remains highly popular; its latest version, PowerPoint 7, features better animation features and close integration with other parts of the Office package. The software also includes "wizards" — specialised help functions — including an AutoContent wizard which helps new users create presentations in easy steps.

Though PowerPoint sells more copies than any other presentation package and has become a *de facto* standard, Microsoft does not have the market all to itself. Other packages include Micrografx Charisma 4.0, WordPerfect Presentations 2, Gold Disk's Astound and the new Freelance 96 package, as well as SoftKey's much less expensive Key Presenter, which costs just 240 compared

with £200-plus for the others but does not allow the creation of slide shows.

In addition, there are specialist design packages such as Corel Draw which provide facilities for illustration and graphic design and animation creation suitable for high quality business and multimedia presentations.

For extended presentations, or those which contain a mixture of video, sound and graphics and high-quality images, CD-Roms provide an ideal high-volume storage medium. The use of CD-Rom-based presentations has been accelerating as the price of equipment capable of recording discs has tumbled.

Meanwhile, the advent of digital video disc promises extended crystal-clear digital video in a virtually indestructible format — unlike video-cassettes whose image degrades over time and with use.

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## VI CONFERENCES, EXHIBITIONS AND TRAVEL

■ UK venues: by Diane Summers

# Laggard is starting to catch up

Overseas organisers are now being targeted, with two important projects in the offing.

As a venue for international meetings and exhibitions, the UK has some outstanding advantages. The English language is widely used for multicultural business meetings, and is clearly particularly attractive to North Americans wishing to base themselves in Europe for an event.

Travel by air is straightforward, given the UK's position at the world's largest airline crossroads, while the Channel tunnel link has improved communications with mainland Europe.

Cultural, historical, rural and "heritage" attractions can be added to the UK's appeal as a destination, and play an important part in the promotion by the British Tourist Agency of the UK as a venue. Meanwhile, expertise in the organisation and production of events is gaining an international reputation.

However, the UK has been slow to invest in the conference and exhibition sector, or to recognise its

wealth-generating potential, industry professionals argue. Nowhere is this more evident than in London, where facilities for world-standard events remain limited.

Mr Mike Rushbridge, chairman of Reed Exhibition Companies, division of the Anglo-Dutch publisher Reed Elsevier, describes as a "scandal" the fact that the capital has not, until recently, "got behind a plan that will deliver a major purpose-built venue".

The consequence, he adds, is that the UK is "in terms of quality and size of space, way behind continental Europe and America".

The current London plan to which he refers is for the development of what will be known as Excel - Exhibition Centre London - on an 85-acre site at the Royal Victoria Dock in the capital's Docklands area.

This new centre, argues the London Docklands Development Corporation, will go some way to meeting unmet European demand, identified by consultants Touche Ross in 1994. This showed the UK has 12.7 per cent of the demand for exhibition space in Europe, but only 4.4 per cent of the supply. Meanwhile, France meets 16.5 per cent of total European supply, Italy 17.5 per cent and

Germany 31.8 per cent.

The first hole in the ground is due to be dug later this year, although planning permission and financing arrangements have yet to be finalised. Ultimately, the intention is for the project to provide 112,000 sq metres of exhibition space, with the first phase due to be completed in 1998. This is planned to provide 46,000 sq

metres of lettable exhibition space, at a cost of around £100m, while two hotels are also scheduled to open at the same time.

Mr Stephen Gehringer, LDDC development manager, says response from exhibition organisers for the project has been enthusiastic. "Bookings are being taken for 1998 and a number of firms are in the process of signing letters of intent to put on shows."

The rival Earls Court Olympia, owned by P&O, the shipping group, is sceptical about the Docklands plan. It is pursuing its own development of a site near Heathrow airport. Says Ms Caroline Moore, communications manager: "For the last 20 years, the cry from the exhibition community has been that a new exhibition centre in London needs to be built near the main international airport."

Earls Court Olympia's plan is for a first phase of 60,000 sq metres, consisting of three interconnected halls of 20,000 sq metres each, at a cost of £14m-£17m. Negotiations are currently taking place on land acquisition, and the project, says Ms Moore, has the full support of the local authority, Hillingdon Council, and is in partnership with the British Airports Authority. The plan is to complete phase one for the end of the century.

Plans for the celebration of the millennium itself are already providing excitement for the UK exhibition business, with intense rivalry between Greenwich, London and the National Exhibition Centre, Birmingham, as potential sites

for a £100m year-long exhibition. A final decision on the venue had not been announced at the time of going to press.

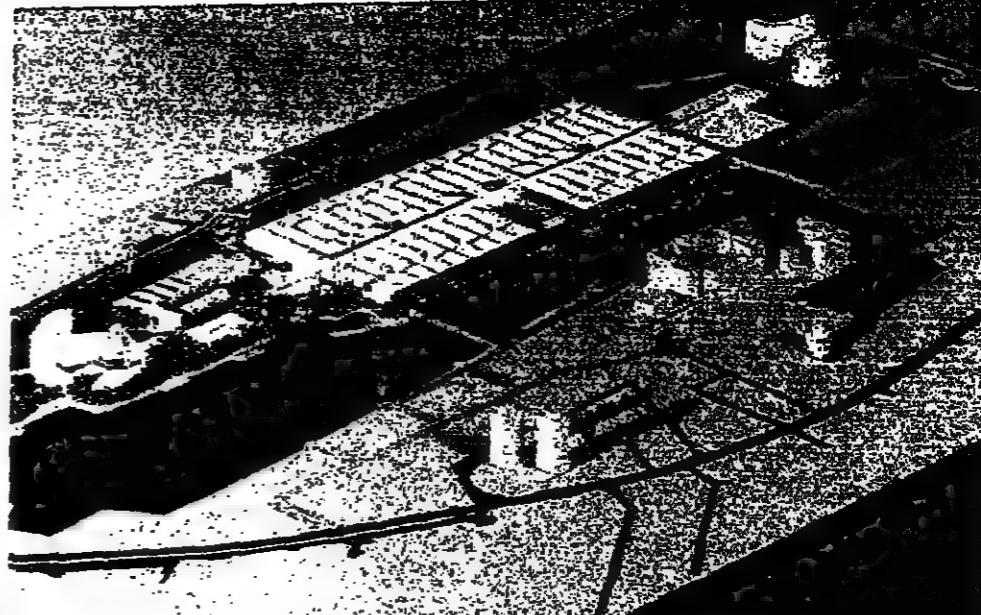
Meanwhile, the newly-launched partnership organisation, Conventions Great Britain, which evolved from the British Conference and Exhibition Export Council, is renewing its efforts to promote to overseas organisers venues that are outside, as well as in, the capital and Birmingham.

The eight centres which make up Conventions Great Britain are:

- Bournemouth International Centre;
- Brighton Conference Centre;
- St David's Hall, Cardiff;
- Edinburgh International Conference Centre;
- Harrogate International Centre;
- National Exhibition Centre Group, Birmingham;
- Queen Elizabeth II Conference Centre, London and
- Scottish Exhibition Conference Centre, Glasgow.

Overseas conferences organisers who are considering whether to buy British can now get access to information on the participating venues from their local British Tourist Authority office, and trips for prospective clients are arranged where appropriate, says the group.

The newest entrant on the conference and exhibitions scene, and a beneficiary of the ceasefire in Northern Ireland, is the £25m Belfast Waterfront Hall, due to be opened in 1997. Already, the British Medical Association has booked its annual meeting there in 1999 - the first time it will have visited Belfast for 27 years. The Geological Society, the Irish Congress of Trade Unions and the Royal College of Nursing have also made provisional reservations.



It is hoped that work on Exhibition Centre London, in the Docklands, will start later this year

■ Using technology: by Paul Taylor

## Presentations get a new look

Technical hitches - such as slides jamming or going out of focus - are a thing of the past

Digital technology has provided a new set of feature-rich tools for those who prepare, organise and run conferences, exhibitions and presentations and could eventually herald the demise of the overhead transparency.

The multimedia projection market in particular is growing rapidly as companies and other organisations turn to sophisticated software and mixed audio, video and computer generated graphics to improve their communications.

"The convergence of mobile computing, presentation development software and multimedia is serving as a catalyst for dramatic market growth," says In Focus Systems, an Oregon-based equipment specialist whose portable products are used worldwide by companies such as Coca-Cola, Motorola, Alcatel, Siemens and Intel.

Market researchers suggest that the multimedia projection market, consisting of liquid crystal display panels and electronic projectors capable of handling data only or video and data, will grow from around \$850m now to be worth about \$2.6bn by the end of 1997.

LCD panels are used in conjunction with overhead projectors and can project photo-realistic images, charts and graphs, taking their input from a personal computer or a Macintosh, while electronic projectors have their own light source.

"Images such as bright colourful data, animated graphics, videos and straightforward text are projected directly from a personal computer, workstation or other electronic device with remote control facility instead of a mouse," says In Focus. "This facility allows the computer to be operated from anywhere in the room."

Many presentations these days are compiled on desktop or portable computers using software such as Microsoft's PowerPoint package. This means that sophisticated presentations - complete with graphs that grow and bar charts which fill - can be put together in days rather than weeks and can be easily changed, even at the last minute.

Aside from speed of preparation, flexibility and cost savings, the other key advantage of using this equipment is that it can be combined with high-impact stereo or surround sound and large screen displays or "video-walls" to capture and retain the audience's attention.

For very high quality image slides, which can be shown using Barco projectors - these can be hired from presentation equipment specialists or are standard equipment at a few top venues - most production companies use highly specialised computer graphics equipment such as Inscriber or CadSoft systems.

These graphics systems produce near-photographic quality results and have made the technical hitches that bedeviled older-style presentations, such as slides jamming or going out of focus, a thing of the past.

But despite the limitations of older equipment such as auto devices, lecterns and photographic slide projectors, most business communications experts acknowledge that they still have a role to play in low-cost presentations - their usage may decline but they are unlikely to disappear completely.

Many conference organisers have recognised that audiences no longer want to be "talked at" by speakers hidden behind lecterns or reading from an autocue device against a tedious transparency or slide-show backdrop. Today the emphasis is on smaller and

more intimate meetings, presentations illustrated with slick computer-generated graphics and conferences punctuated by "break-out" sessions, seminars and workshops to involve the audience.

Some organisations - particularly pan-national events such as IBM's launch of its OS2/Warp PC operating system in New York, Sydney and London - still rely on extravagant presentations featuring special effects, but most technology is being used to cut lead times and make productions more interesting, relevant and accessible.

Response systems provide another means of involving an audience directly in an event. For example, wireless infra-red hand-held numeric keypads enable an audience to key in a response to a presenter's question, register an opinion or exchange information - responses which can then be captured by computer and displayed simultaneously or evaluated later.

Similarly, while business television using satellite transponders and roof-top dishes provides a means of disseminating training material or important company information to a geographically fragmented audience, responses can be collected from remote sites and sent via a modem to the broadcast site where they can be collated and relayed immediately back to the audience, creating an interactive communication loop.

Companies and others are also experimenting with new delivery mechanisms for their

### The Internet opens the way to "virtual" presentation

messages such as the Internet where three-dimensional software authoring tools enable them to create a "virtual" presentation accessible either internally or to a much wider audience using standard "web browser" software.

Other organisations, including the Canadian Museum of Civilization in Hull, Quebec, have begun experimenting with laser-generated digital 3-D stereoscopic images to create a "virtual display" which museum goers wearing special glasses can walk around and "manipulate" the ice-age exhibits without actually touching them.

Inevitably, the demand for increasingly sophisticated presentations has created a rapidly expanding market for external business conference agencies and consultants capable of producing live events, conferences and roadshows. These include specialists such as the Queen Elizabeth II Conference Centre's Interface team created in October to help clients with equipment choices and all aspects of production.

"We are not in competition with the big production companies," explains Ms Gill Price, the centre's commercial director, "rather, we provide a service that fits in somewhere between DIY and using a major production company, although we also provide a valuable service to other production companies."

Using Interface's on-site editing suite, clients can have their events recorded and edited for use as corporate videos, promotional material, staff training or for archive and reference. Using the team also means only dealing with one supplier and paying one bill.

There is little doubt that digital technology will continue to influence the design, content and presentation of events. However, most industry specialists emphasise that content is always more important than technology and graphics - communications experts stress that the most effective technology enhances content, rather than obscures it.

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# EUROPEAN POSTAL SYSTEMS

## Widespread drive for reforms is under way

The European Post Offices may be well advised to look outside the postal sector both for models and to identify potential threats, writes Charles Batchelor

**P**ostal services in Europe and around the world are undergoing a period of rapid change. Many of the assumptions which have governed international postal relationships since the signing of the Berne Treaty in 1874 are being questioned.

Postal administrations are under pressure to become more commercial. They are being squeezed by competition from the rapidly expanding express courier companies; in some cases by governments keen to shift the burden of subsidising losses and financing investment to the private sector; and by customers who are demanding a better quality of service.

But the move towards greater commercial efficiency has not been welcomed universally. In Britain, worries about the future of small, often rural, post offices prompted the government to step back from plans to privatise the Post Office. In Europe generally, fears about the possible threat to postal jobs has prompted resistance to European Commission proposals for liberalisation, while in Japan concern about the post office's role in managing savings accounts has prompted similar caution.

Despite these countervailing pressures, the momentum for change is increasing. The Universal Postal Union, a United Nations body representing 189 postal administrations, is still formulating its response to a draft European Union directive liberalising postal services. But Mr Thomas Leavitt, director-general of the UPU, is cautiously optimistic that change will be accepted.

"I think the directive will meet general support," he says. "A lot of administrations around the world are trying different models. We recommend a corporate structure involving management and financial autonomy. This gives the freedom to the post office to act as a business but with control by a regulator. Commercial competition, particularly for international mail, is tougher than ever."

The European Commission's proposals, contained in a draft directive published last December, represent a careful compromise between the supporters of a far-reaching liberalisation of services and those who want to make progress more slowly.

A key aim of the directive is to maintain a universal postal service to the most remote rural areas as well as to large

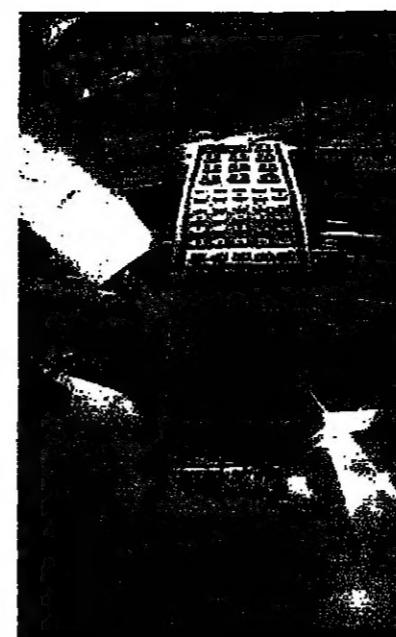
cities. The Commission believes that this requires the postal administrations to retain a monopoly over the basic letter service; that is the collection, sorting and delivery of items of up to 35g.

The post offices would also be able to retain control of the distribution of incoming cross-border mail and direct mail until December 31 2000 "if necessary for the financial equilibrium of universal service providers." To ensure that the post offices are not subsidising services such as parcels and express mail, which do not fall into these reserved categories, they will be required to maintain separate accounts for the reserved and non-reserved sectors.

Independent regulators would have to be appointed to ensure the post offices comply with the directive and with national and European Union competition rules, the Commission suggested.

Publication of the draft directive, which had been long delayed, has been welcomed by the private express delivery companies. But they remain concerned that, by failing to provide a clear definition of cross-subsidy, it still leaves room for the postal authorities to devote monopoly revenues to paying for the fixed costs of competing services.

Whereas in most areas of privatisation the UK has taken the lead, in the field of postal services it lags behind several other European countries. The profitable Dutch



Europe's postal services are finding new roles for new technology.



Above: Royal Mail uses bar codes to record information about items in transit.

Right: the electronic mail centre at Mount Pleasant in London sends out business mailings 24 hours a day, seven days a week

Post Office was floated on the Amsterdam stock exchange in 1994. Sweden and Finland have liberalised their markets with the Swedish post office losing its letters monopoly in 1993. The German Post Office is due to float an initial tranche of its shares on the stock market in 1998.

The Dutch have been adept at exploiting new markets and have built up a strong position in the field of remailing. This is the bulk shipment of items of mail to a foreign postal administration which can process and mail them on more cheaply than would be possible from the customer's home post office. Thanks to a joint venture with the Dutch airline KLM, the Dutch post office flies in foreign post, mainly magazines and periodicals, to the Netherlands. It then wraps, addresses, labels and ships the magazines on to the rest of Europe, often using its own road haulage company.

The German post office is keen to consolidate its position in the field of financial services and has launched a bid for Postbank, the German state-owned postal savings bank. The post office originally proposed taking a 40 per cent stake in the bank but the government now appears to favour a more modest shareholding - of 25 per cent plus one share. The aim is to

establish a close relationship but not to give the post office too much control.

In the UK, plans to sell off the Post Office were abandoned at the end of 1994 after Conservative MPs warned the government of a rebellion if it persisted with its programme. The Post Office's management were keen to be privatised to free the organisation from Treasury spending controls and the need to pay a large part of profits to the government.

Mr John Roberts, Post Office chief executive for the past three months, accepts that the independence or otherwise of the organisation is a matter for the government. The Post Office is already highly profitable - it made a pre-tax profit of £472m last year - but it outlines the three methods he sees for improving performance still further: investing in automation, raising prices and cutting costs.

There is a £200m programme spread over the next five to seven years to integrate the sorting and processing of mail. At present mail is sorted, stamped and coded on separate machines but the Post Office plans to bring in equipment which can do all three. It is also working jointly with the Department of Social Security on a £150m project to computerise the payment of pensions and other benefits.

Like its continental European counterparts, the UK Post Office has been extending the range of services on offer to include foreign currency exchange facilities, travel insurance, lottery ticket sales and cash transfers. Postal charges have been held steady at 19p for second class mail and 35p for a first class letter for the past 2½ years, but are expected to rise by at least 1p a letter in the summer. Meanwhile, cost savings of £100m are planned over the next three years.

"Ten years ago people would not have said the Post Office was good value for money, but that has changed," says Mr Roberts. "We deliver 93 per cent of first class mail the next day." But continuous improvement is called for. "There are bits in different post offices around the world which are good models but we should benchmark ourselves against non-postal organisations too. We look at companies like Xerox and Hewlett Packard for the way they focus on their customers."

The European Post Offices may be well advised to look outside the postal sector both for models and to identify potential threats. The greatest challenge to their traditional business is likely to come not from rival postal administrations but from competing electronic technologies.



In Germany (left), Britain and throughout Europe, the momentum for change is increasing

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## II EUROPEAN POSTAL SYSTEMS

■ Technology and future services: by John Kavanagh

## Investment spawns spin-offs

**Post offices belonging to International Data Post can offer overnight delivery internationally**

Pioneering postal authorities are developing mail services which involve collecting letters from post boxes but never actually delivering them. Instead, they are capturing the information contained in the letters and delivering it electronically.

These and other services are spin-offs from new investment in technology originally intended merely to automate mail handling at sorting offices and to provide better tracking of registered items.

The new systems, plus constant advances in automated character recognition, have come at a time when social mail, generally hand-written, has fallen to less than 10 per cent of the total, and more than three-quarters of all mail is generated by computer. This means that well over two-thirds of addresses can be read automatically.

But merely reading addresses and sorting items automatically is now yesterday's news. The most advanced systems currently being installed by a handful of national post offices go beyond looking for the address on an envelope and can scan both sides of a mail item in a single pass.

This is creating dozens of opportunities, according to Mr Duncan Hine, director of technology at the UK's Royal Mail, which is leading the way with a £193m investment in technology over the next two years. It is the biggest single investment in Royal Mail's history.

"The system enables us to gather information from mail items and just deliver the information rather than the whole item," Dr Hine says.

"Such services could be used by companies which send out cards to be filled in and returned; for example for competitions or for placing orders or completing questionnaires with tick-boxes. The items could bear marks such as bar codes to identify the addressee and the nature of the item. We are scanning the items anyway, for the address, so we can collect the data at the same time and send it on electronically."

"We can use information from the envelope internally, for example to analyse the types of stamp being used."

"All such facilities can be set up quite easily these days because the equipment is controlled by computer software: introducing new services is largely a matter of programming."

The combination of traditional mail with electronic transmission is already becoming established across Europe, both nationally and internationally through International Data Post.

Companies typically give their post office copies of their letterheads, invoices or other documents to be mailed. These are stored electronically. Companies can then send the text of a mailing with a database of names and addresses to the post office, which prints the documents, puts them in envelopes and mails them. The information can be sent to the post office on disc or over a telecommunications link.

International Data Post says this service brings "substantial savings" with the elimination of printing and manual handling, off-setting the service costs.

Mr Hine at Royal Mail points also to the potential for companies to improve their own customer service. Royal Mail, for example, can accept text up to 7pm for posting the same day.

"Some phoning an insurance company at 8.30pm for a quotation could get a written confirmation the next morning."



From the top: Technology in action: Royal Mail segregation machine; Hine: 'advanced systems are creating dozens of opportunities'; Mole: 'countries are screening for the International Postal System project'

ing," Dr Hine says.

Royal Mail launched its service in November and is now handing 1m items a month, including all invoicing for software market leader Microsoft.

Post offices belonging to International Data Post - initially those in Scandinavian countries but now also Germany, France, Italy and elsewhere - can offer overnight delivery internationally because the documents are printed and handled at the Data Post centre nearest to the addressee. This eliminates the delay of two or three days normally associated with international mail in Europe. Indeed, some companies use the service to send just one letter, instead of using a courier.

In some countries, the post office offers the option of distinctive envelopes for these services. The envelopes indicate

to the recipient that the letter has arrived in a special way and are known to increase mailshot response rates by as much as 40 per cent.

"These services enable companies to take advantage of the fact that more than 75 per cent of all letters start life on a computer," Mr Hine says. "Electronic services offer a link from the computer to traditional mail."

Another computer-to-post service gaining ground can involve no human involvement at all at the sending end. This service has been born out of growth in electronic data interchange (EDI), the exchange of routine business documents such as orders and invoices in a standard format between computers operated by trading partners. Orders are often triggered automatically when an inventory control system detects that stocks have reached a specified level.

Big companies find the benefits ranging from administrative savings to just-in-time ordering are so great that they force their suppliers to trade in this way. But small companies often lack computing skills and are reluctant to buy the necessary software and telecoms services.

Some post offices therefore now offer to act as a company's EDI mailbox, receiving orders electronically from its customers and converting the coded data into printed documents which are then sent by post. This enables the big EDI user to benefit from electronic trading while allowing the smaller company to continue with traditional methods.

"This project is a top priority for developing countries," says Mr Tom Leavy, director-general of the Universal Postal Union in Berne, Switzerland. "We need to update our services to meet customers' demands for information on the progress of their items."

A pilot trial between Australia and Israel starts in March and installation will begin in earnest in May.

"There are 30-40 countries in central Europe, the Middle East, the Far East and South America screaming for the system," says Mr Stan Mole, a specialist consultant who is working with computer company NCR, the union's official system installer. "Even some countries in western Europe, which have their own systems, are considering it."

Post offices know that if they are to compete with integrated couriers, which have their own aircraft and vehicles across the world, they must get their act together internationally.

Mr Hine takes a more positive view of the impact of technology.

"Our investment is not a response to couriers," he says. "We don't see communication as a choice between the post, the Internet, the phone and data communications, but the best combination of any or all of these."

He adds: "Besides, communication breeds communication: the number of letters is still growing."

The use of computer links between national post offices is set to take off this year as the Universal Postal Union's Inter-

national Postal System project starts to roll.

The postal authorities, representing 189 member countries, developed the software after requests from developing countries in particular. They were being approached by national postal services, notably the Canadian service, to buy systems which have already been adopted in small numbers in North America and Europe. Developing countries argued that they could not afford such systems and were concerned about support, so the Universal Postal Union set up the International Postal System project.

The system, developed with funding mainly from Australia and Japan, runs on a personal computer and is being offered free of charge to the union's member countries. It enables any postal service to join in the tracking and tracing of international mail by providing many of the facilities which post offices in richer countries have already developed for themselves.

"This project is a top priority for developing countries," says Mr Tom Leavy, director-general of the Universal Postal Union in Berne, Switzerland. "We need to update our services to meet customers' demands for information on the progress of their items."

A pilot trial between Australia and Israel starts in March and installation will begin in earnest in May.

"There are 30-40 countries in central Europe, the Middle

East, the Far East and South America screaming for the system," says Mr Stan Mole, a specialist consultant who is working with computer company NCR, the union's official system installer. "Even some countries in western Europe, which have their own systems, are considering it."

Post offices know that if they are to compete with integrated couriers, which have their own aircraft and vehicles across the world, they must get their act together internationally.

Mr Hine takes a more positive view of the impact of technology.

"Our investment is not a response to couriers," he says.

"We don't see communication as a choice between the post,

the Internet, the phone and data communications, but the best combination of any or all of these."

He adds: "Besides, communication breeds communication: the number of letters is still growing."

The use of computer links between national post offices is set to take off this year as the Universal Postal Union's Inter-

■ Liberalisation: by Michael Cassell

## The door is opening slowly

**The European Commission's step-by-step strategy envisages only minimal competition before the end of the decade**

Brussels may be proving ultra-cautious in liberalising postal services across Europe but a growing army of private distribution specialists is already exploiting widespread dissatisfaction among customers of the big, national monopolies.

Mr Eli Di Rupo, the Belgian communications minister, has claimed that Europe's postal businesses are not yet ready for the "electric shock" of competition. But while the door is only opening slowly, the fight to win a share of postal markets previously denied to private operators is intensifying.

As the politicians struggle to limit the repercussions of liberalisation - not least the possible impact on jobs in a sector which employs nearly 2m people - private postal and parcel operators accuse the European Commission of being more worried about protecting high-charging monopolies than in permitting proper competition. Of particular concern is the cross-subsidyisation by the postal monopolies of their loss-making parcel services.

Moves towards reshaping the scope and structure of European postal services have been cautious; the Commission's step-by-step strategy envisages only minimal competition before the end of the decade. At the end of last year, Brussels agreed to delay publication of a "notice" clarifying how it intended to apply competition rules in the postal services sector and said it would not apply the notice until the end of this year.

Under Commission proposals - considerably watered down in the face of reluctance by member states to proceed too quickly - national monopolies will maintain control over all post weighing less than 350g, a large part of the market given that the average letter weighs only 15g.

Incoming cross-border mail and direct mail, the latter an important source of revenue for post offices, will not be opened to competition until 2001 and then only if a Commission review gives the go-ahead.

■ Joint ventures: by Ronald van de Krol

## Wholesale transformation

**GD Express Worldwide is the most compelling international example of co-operation between the public and private sectors in postal services**

The world of express mail is undergoing wholesale transformation, thanks in part to a four-year-old joint venture between TNT, the Australian transport group, and the post offices of Germany, France, Sweden, the Netherlands and Canada.

As part of changes introduced by the joint venture, the Canadian and French post offices launched an alternative to the existing Express Mail Service (EMS) system last year. The new service, called Skypak, is also scheduled to be introduced in the Netherlands, Germany and Sweden in 1996.

Skypak, aimed at small businesses and professionals such as lawyers and accountants, allows customers to buy pre-paid courier-type envelopes and boxes at post offices. This pre-paid method contrasts with most courier organisations, which are aimed at bigger customers who have accounts and who are billed later for the services they use.

When handed in at a post office in participating countries, the envelopes and boxes (for documents and boxes (for small parcels) can be sent to any country in the world, using TNT's international infrastructure of 636 depots, 3,600 vans and trucks, and 28 aircraft.

The product comes in a range of envelopes and boxes, priced according to weight and destination.

The service is the first public expression of the decision

together, the current EU proposals mean that 50 per cent of all mail will for the time being remain within the control of national monopolies, inevitably limiting room for expansion by other operators.

Few of the state-run postal businesses have impressive financial pedigrees: services in Sweden and Holland make profits along with Britain's post office.

Mr John Roberts, chief executive of the British Post Office - still denied the commercial freedom of privatisation but recording pre-tax profits of £472m in 1994 - recently made clear that new opportunities in European postal markets were no longer to be left unexplored.

Before Christmas, he made clear his organisation's determination to try and win business in continental Europe - possibly starting as early as this year - within the national and EU competition constraints placed upon it.

**Deutsche Post notched up its first profit in 1994**

With one eye on competitors such as the Dutch, who also handle significant (although possibly over-estimated) volumes of re-mailing business, Mr Roberts warned that the Post Office would be responding aggressively to companies "entering our backyard to poach business".

But the majority of European postal service operators have fewer grounds for confidence: losses in Italy have been mounting - reaching a peak of £1.7bn in 1993 - while the French post office lost £130m in 1992. Deutsche Post, the company operating German mail services which plans a partial flotation in 1998, managed to notch up its first profit in 1994.

Against this background, private operators are inevitably accused of wanting to "cherry pick" the most promising market areas, exploiting the potential profitability of some markets without having to bear the heavy financial burden of providing comprehensive, national postal services.

Their experiences so far have been mixed. Some companies which started out

with big ambitions have withdrawn. On the other hand, United Parcel Service has been sufficiently encouraged by the dismantling of European borders to invest a planned £1bn in further expanding its continental European delivery services.

Heavy investment in the provision of express parcel and other freight delivery services has been made by national and global delivery service companies as well as more traditional forwarding and distribution operators - all offering time-definite delivery services.

Exporters wanting goods delivered across European markets now have an extensive choice of options, given the increasing number of combinations of air, road and rail transport available.

Service providers such as DHL Worldwide Express, UPS and TNT Express Worldwide now claim they can provide fast and reliable delivery throughout Europe using their own fleets. UK-based national operators such as Parcelforce, Securicor Omega Express and Lynx Express have also struck up multinational partnerships which they claim are able to provide efficient, fast services.

Parcelforce, for example, which operates a two-day delivery service to main cities across Europe, has partnerships with six private sector carriers in Europe to further expand its international network.

Despite claims by some specialists that they are now in a position to offer a comprehensive delivery service across Europe, many customers still remain reluctant to forge close ties with any operator claiming to provide a total transport and distribution service. It will not be long, however, before the option becomes more widely available and workable.

One additional opportunity for express delivery specialists has arisen with the opening of the channel tunnel. After a cautious initial response from operators, traffic under the Channel is increasing.

Whatever their preferred methods of operation, most of the new breed of global and national delivery specialists exploiting opportunities in a fast-expanding, cross-border market place accept there is room for improvement and are examining and sharpening up services. With further liberalisation down the road, they will not be going away, whatever concerns may prevail in Brussels.

**Mr Fellows said GD Express Worldwide was negotiating with about half a dozen countries on use of the Skypak brand through contractual, franchising agreements. Results were expected later in 1996 or in 1997. However, there were no plans to expand the number of post offices with an equity stake in GD Express.**

He added that there were also no plans to set up Skypak



John Fellows: 'EMS did not meet customer expectations'

collection boxes similar to those operated by FedEx on street corners in US cities. "It is a question of volume. Once you get to a certain volume, it might become appropriate and economically feasible to have drop boxes," he said.

Skypak is just one of the GD Express Worldwide "brands". The best known is TNT Express Worldwide, an express distributor of documents, parcels and freight. *Cargo Facts*, the trade publication, estimated that the TNT-GD Express share of the international air express market was 11.5 per cent, virtually similar to UPS's 12 per cent and behind DHL with 44 per cent, and FedEx with 21 per cent.

**Parcelforce of the UK, part of the British Post Office, has also stepped up its use of private-sector partners in delivering packages to their final destinations outside Britain. We used to rely solely on other post offices but these services now generally go out on open tender," Mr Christopher Bishop, general manager of Parcelforce International, said.**

"We now have 10 private-sector partners, but without the necessity of investing in their share capital," he said.

Chris Stevens, senior consultant for postal and mail services at Triangle Management Services.

The target date for implementation of the Reims agreement is January 1997. At the time of writing it had still to be ratified by all the members.

**The uncertainty is worrying some of the big users**

view, the EC draft directive was "moving things in the right direction".

"However, the directive does not qualify the standards of postal service which should apply in individual countries," he added. "It also does not address the imposition of financial penalties under the Reims agreement where there is a failure in cross-border services."

The resulting uncertainty is worrying big users of such services who fear some of the changes being talked about could lead to sharp increases in cross-border postal costs for mail items such as newspapers and periodicals. Users are also concerned that Europe might see the establishment of regional postal delivery rates for international mail, with prices varying between countries."

■ Harmonisation: by Phillip Hastings

## Final timing still uncertain

**The focal point for current EC efforts to harmonise postal service quality is a draft directive published by its posts and telecommunications directorate, DG13**

European Commission efforts to improve and harmonise postal service quality standards within the European Union are slowly making progress. However, the final shape and timing of that harmonisation is still uncertain as political wrangling within the EC continues.

Further complicating the picture is a separate push by the post office co-ordination body PostEurop to try to improve cross-border services with new arrangements for terminal

that context, it defines harmonised criteria for the services which might be reserved for the universal service providers, which at present are the national post offices.

That "reserved" business, says the directive, should involve "domestic mail which does not weigh more than 350 grams and where the tariff is below five times the basic tariff". The basic tariff, explains the directive, is that for letters up to 20 grams.

Turning to international mail, the directive states that outgoing cross-border traffic, which it claims is effectively already liberalised in most member states, will be excluded from the reserved ser-

vices. But incoming cross-border mail might continue to be reserved until December

■ The UK Post Office: by Tim Burt

## An awkward position

Pre-tax profits last year rose to £472m. But the funds available to spend on new services have been reduced by the government's decision to skim off two-thirds.

The ambition of Britain's state-run Post Office is plain to see in the foyer of its London headquarters. A glass-mounted mission statement says it wants "to be recognised and respected as the world's leading provider of profitable, high quality postal services".

In his executive suite on the top floor, Mr John Roberts, the Post Office chief executive, is rather more pragmatic. After almost 30 years working his way up the organisation, he is keenly aware of the group's potential and its limitations.

While the Post Office certainly has the expertise and facilities to match its European rivals, its ability to challenge them head-on has been severely limited by the demands of its single shareholder - the government.

Senior Post Office executives have been doubly disappointed by the Conservative administration. Firstly, it failed to per-

suade its own backbench MPs to support privatisation - the key to becoming a truly independent business. Secondly, the government has increased the so-called external finance limit - the share of profits paid to the Treasury - from £534m to £525m over the next three years.

Mr Roberts is not as forthright as Mr Bill Cockburn, his predecessor, who spoke candidly of his frustration before his departure last year to retailers W.H. Smith. The new chief executive says diplomatically: "We are in a position that we would prefer not to be in."

The position is this: after three years of uncertainty over privatisation, the Post Office has been told it will remain a state-run enterprise. However, it has been granted greater commercial freedoms over capital expenditure and introducing products. Yet the funds available to spend on new services have been reduced by the government's decision to skim off two-thirds of its profits before tax.

Pre-tax profits rose last year to £472m. In total, the group has contributed more than £1.5bn to the Treasury over the past 10 years.

To meet the demands of the Treasury, the Post Office will probably have to seek further cost savings, reassess its capital expenditure plans and, most controversially, increase prices for first and second

class letters, currently 25p and 19p respectively.

It also faces an increased competitive threat from the privatised Dutch postal service, which is establishing bulk mail operations in the UK, and a fierce market place in express parcel deliveries where its Parcelforce subsidiary has yet to report a profit.

Such challenges have increased the pressure on the Post Office to exploit the commercial freedoms granted by the government last year. Of those freedoms, the decision to abolish limits on capital spending has enabled the Post Office's three main operating arms - Royal Mail, Post Office Counters and Parcelforce - to embark on significant investment schemes.

At the Royal Mail, £200m is being spent on a new sorting and delivery system developed by AEG, which will speed up mail processing and cut costs.

Post Office Counters, the subsidiary which operates almost 20,000 outlets, is spending a further £150m on computer automation that will enable it to simplify benefit payments for the Department of Social Security. It should also provide a system for selling financial products such as life insurance. Already, the division offers bureaux de change services and international money transfers.



Royal Mail's reputation among customers is high. The group runs more than 180 Post Bus routes

flexible working to the group's 180,000 employees.

Achieving this basic manifesto is more important than the more visible challenges from overseas and domestic competitors. But the Post Office would like further commercial freedoms such as a relaxation on borrowing limits to realise its ambitions.

The group's reputation among customers is generally high, although recent unofficial strikes have dented public confidence in some areas. That raises the thornier issue of how to persuade a unionised workforce to accept new terms and conditions.

### PROFILE Parcelforce



Parcelforce aircraft at Coventry Airport. The group is struggling to streamline and modernise its operations

## Signs of progress

Parcelforce, Britain's largest express parcels company, is an underperforming giant. With more than 32 per cent of the market for mail order parcels and the largest vehicle fleet of any UK operator, the Post Office subsidiary should be generating healthy profits. It is not.

Although it handles 850,000 packages a day - far more than its nearest competitor - the organisation last year saw pre-tax losses increase from £19m to £29m. Sales, moreover, fell from £486m to £451m.

Sir Michael Heron, the Post Office chairman, is frank about its problems. "It remains the business of greatest concern to the board," he says. "Our aim is to reduce its losses through a programme of major reorganisation, considerable cost reduction and a gradual improvement in winning new contracts."

Putting that plan into practice could prove difficult given that, by Sir Michael's own admission, Parcelforce's main market is declining while others remain highly competitive.

Carefully, it is not easy to embark on a root-and-branch restructuring in a domestic marketplace boasting 4,000 rival services and where overseas distributors have a building presence.

Nevertheless, Parcelforce is showing signs of progress as it strives to streamline and modernise its operations.

Mr Kevin Williams, Parcelforce managing director, says last year's losses were the nadir of the group's fortunes. Indeed, the business would have shown an improvement in the 12 months to March 26 last year, had it not been for an £18m exceptional reorganisation charge. That enabled Parcelforce to cut staff, close surplus depots and reorganise itself into eight geographic units in order to meet the challenges from domestic and overseas competitors.

"We are beginning to see the benefits of paying more attention to our cost base and have secured an important new deal with the workforce for flexible working," says Mr Williams.

It has been a slow and painful process. Negotiations with the Communication Workers Union lasted more than nine months, while government prevarication over privatisation hampered much-needed investment decisions. This is the crux of Parcelforce's problem. It is a

big participant but, until comparatively recently, an inefficient one.

Although the management understands the action needed, it has been trying to restructure the business with one hand tied behind its back. The three-year uncertainty caused by possible privatisation disrupted much-needed investment programmes at Parcelforce.

The sharp increase, meanwhile, in the Treasury levy has drained reserves that would otherwise have been available for investment. Still, Parcelforce has been able to spend £15m in the past two years on "track and trace", a barcoding parcel management system that enables customers to monitor deliveries.

Following the government's decision last year to grant greater commercial freedom to the Post Office, Parcelforce has expanded other innovative services such as Euro-48, a two-day delivery

Volumes overseas are growing annually at 15 per cent

operation serving 18 European countries. It has also entered partnerships with six private sector carriers in Europe to expand its international network, a key growth area. Volumes overseas are growing annually at 15 per cent, against 5 per cent at home.

A further £15m investment in its Liverpool sorting centre and a £7m development at Camden in north London has also enhanced efficiency.

Mr Williams predicts that all this will enable Parcelforce to break even this year, ending five years of successive losses. "We have recovered in the past year and we think we are now up with the best of our competitors."

Those competitors, however, claim that Parcelforce has survived only by drawing on cross-subsidies from other parts of the Post Office, such as Royal Mail, and through predatory pricing. "We wanted to see Parcelforce privatised so it would no longer be able to rely on more profitable bits of the Post Office," says Mr Torquil Montague-Johnstone, finance director of Business

Post, the rival parcels group. He cast doubts on the impact of Parcelforce's efficiency measures, suggesting it would take some time before it matched the 17.3 per cent profit margins enjoyed at Business Post.

His view is echoed at Securicor Distribution Services, arguably the main domestic challenger to Parcelforce. Mr Denis Norton, marketing director, claims that the Post Office subsidiary receives an unfair pricing advantage because it is VAT-exempt. "They can therefore charge less than companies which are VAT registered," he says.

Their claims are rejected by Parcelforce. "I would reject all those allegations. There are many cases where we have lost to rivals on price, and there is no truth in what they say about cross-subsidies," replies Mr Williams.

Last year's Post Office report and accounts, however, show that Parcelforce received a "group finance loan" of £185m, up from £184 in the previous year. The increase, moreover, virtually matches the rise from £17m to £30m in Parcelforce's operating losses. While the financial help clearly irks competitors, such inter-company loans are commonplace in a private industry where fast-growing businesses need hefty capital investment.

As part of that investment, Parcelforce has linked some 2,000 vehicles to its Cabcom system - extending computer tracking to truck cabs - and developed a "despatch manager" package which offers customers day-to-day despatch summaries.

Such innovations should enable Parcelforce to cement its overwhelming dominance of the UK parcel distribution market. Its ability to do so overseas is probably more limited given the intense competition posed by international rivals such as UPS and DHL.

If the business can extract the maximum benefit from more efficient working practices and win big new contracts, it should see off challenges in its home market and move into profit.

"Parcelforce is fighting back, with its long-term future confirmed," says Mr Williams. "The challenge we now face is to continue to satisfy customer demands in a fiercely competitive market."

Tim Burt

### ■ Document exchanges: by Phillip Hastings

## Operators prepare for expansion

The exchanges are in effect mail clubs, specialising in the delivery of time-sensitive documents, for businesses and professions

network in place and market the service," commented Mr Robert Morgan, the divisional managing director of leading UK operator Hays Document Exchange (formerly Bridgdoc).

"I cannot really see couriers and express parcel carriers readily turning round and setting up large document exchange networks."

Document exchanges are in effect mail clubs, specialising in the delivery of time-sensitive documents, for businesses and professions. The club "members" pay an annual subscription to join. Hays, for example, charges a minimum annual fee of £200, plus negotiated additional rates based on how many documents individual members put through the system. Charges per document are typically 30-40 per cent of the rate for sending them by first class post.

Subscribers deliver and pick up their own mail at local collection and delivery points called exchanges which are basically mail boxes located on the premises of a "host" company. The domestic transportation of documents between those exchanges, so-called "interlinking", is generally carried out by sub-contracted or franchised courier companies.

Longer distance linkmail operations within the UK and to and from other European centres can include the use of air transport. Hays, for example, co-loads some traffic on overnight freight flights carrying courier and express traffic.

To date, however, document exchange services in Europe remain predominantly national operations within individual countries.

Two leading factors have held back the development of document exchanges on a pan-European basis: uncertainty over the final shape of future EC rules covering postal ser-

vices for the EU as a whole, and the varying legal position of document exchange-type services in different countries.

As far as the EC rules issue is concerned, document exchange operators are hoping that their two key concerns - the scope of so-called "reserved" services which will remain within post office monopolies and the freedom to interlink between exchanges - have been resolved in their favour.

"We appear to have won the battle on the first point: the current EC draft directive on postal services puts document exchanges outside the reserved services," said Mr Seymour.

"We also think we are OK on the second point although we have asked the EC to just spell that out a little more clearly. Just incorporating the word 'interlinking' in the directive would do."

The actual wording of the draft directive states that "document exchanges do not form part of the universal service and consequently their being reserved to the universal service providers".

"There have been a lot of prosecutions of private document delivery companies, particularly in Germany," commented Mr Seymour, who is also chairman of Hays Document Exchange. "Last year, my own company was taken to court by the Belgian post office which claimed that what we



Robert Morgan: "it takes a lot of work to put a network in place"

### ■ The mailroom: by Jane Martinson

## Area is ripe for outsourcing

Recent forecasts of rapid growth in the market have encouraged a crop of companies specialising in mailroom management

The outsourcing of many European companies is increasingly turning to mailrooms.

In the UK, which has a reputation for outsourcing enthusiasm rivalled only by that of North America, a survey of facility managers at the British Institute of Facility Managers' annual conference last November found that office services such as mailrooms were considered the most likely area to be outsourced over the next five years.

The arguments over cost savings are not clear-cut, however. The cost savings are usually achieved by cutting jobs. Improved technology and more efficient working practices (which can be as simple as changing the layout of the mailroom) are used to reduce the number of people employed. However, Mr Michael Oppenheim, marketing and sales manager of PBMS, an offshoot of the US office equipment manufacturer, says:

"We can often do the job with fewer people but that doesn't mean fewer jobs as we can transfer them to vacancies in other firms."

Outsourcing companies are constrained by Transfer of Undertakings (Protection of Employment) regulations (Tope) whereby a new employer must continue an employee's existing employment rights, including remuneration, holiday entitlement and any other benefits. These rights do not apply when the employee is on a temporary contract, however.

Perhaps for this reason many companies believe that mailroom management makes most sense because of the efficiencies and service improvements

which can be introduced. Mr Derek Fairhurst, account manager for the Royal Mail service, says: "Two things - cost savings and service improvements - encourage companies to contract out. But in our experience it is improvement to the service which is the most important reason."

Mr Fairhurst manages Royal Mail's largest contract to date - dealing with the BBC's London post, estimated at 50,000 letters a day. By using Royal Mail's extensive sorting office space Mr Fairhurst aims to deliver opened letters to individual desks between one and two hours before their previous delivery time. Most of Royal Mail's clients are in the public sector where there is a drive to put out to tender work which is

Royal Mail is subject to the Official Secrets Act

not considered part of its core business. Confidentiality for such contracts is important. There are safeguards.

Royal Mail employees all sign up for the same code which binds civil servants, making the disclosure of personal information a criminal offence. As a government body, Royal Mail is also subject to the Official Secrets Act, says Mr Buckley. The post is opened in a secure area and any letters marked for an individual's personal attention are delivered unopened.

Fears about security are one of the reasons why companies tend to keep control of this non-core area. "The mailroom is a critical interface between a company and its customer," says Mary Paterson at Royal Mail.

Omega Partners, strategic consultants, conducted research into mailroom outsourcing in Canada and Europe in the past three months which, it says, confirms that the market is a relatively new one in Europe but growing. Mr Robert Mark, consultant, suggested that while there was some uncertainty at the beginning over employment, there were advantages to the situation for employees. These mostly relate to a new career structure.

Legal firms and companies in financial services are the main customers for PBMS, which offers a selection of other office services such as photocopying to some of its seven clients. The company hopes to replicate its US growth in Europe by using the UK as a "launch pad", according to Mr Oppenheim. In the 10 years since it started in the US, PBMS has grown into a company which employs 8,500 people.

While the UK is regarded as a leading proponent of outsourcing, several continental European companies offer the service. In the Netherlands, Mailpros, an offshoot of PTT Post, the partly-privatised postal service, has been providing an outsourcing service for four years. The company is a joint venture with Vedor, a manpower services agency which provides temporary, trained cover for the work involved.

Companies which refuse to believe that their post can best be sorted and delivered by outside concerns have alternative options. Most of the service providers also provide a basic consultation service to advise companies how to improve their mailrooms.

### EUROPEAN POSTAL SYSTEMS III

tions. A deal has been signed at Parcelforce after nine months of talks; negotiations are still continuing at the Royal Mail.

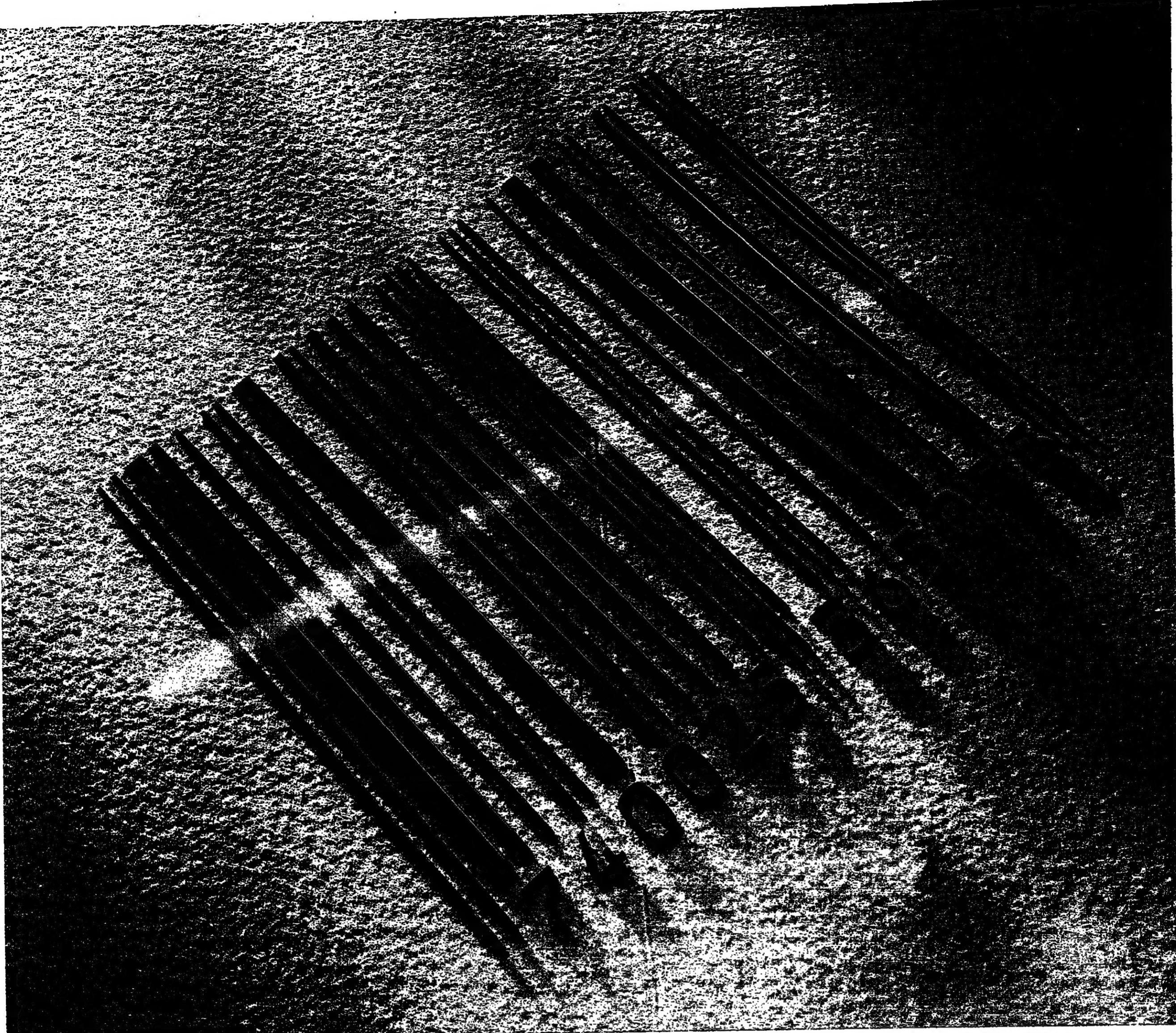
Mr Roberts wants to see more teamwork and flexible rostering, themes already adopted by some privatised European rivals. He admits it will not be easy.

"There is more for us to do in the way we look after people. When you run an organisation like this you have to make sure you take the employees with you."

But he does not feel left in the slow lane by overseas competitors. Indeed, the British Postal Consultancy Service, which sells postal management advice internationally, last year picked up contracts in Kuwait, Poland and Romania. Software developed for the Post Office has also been sold to Telkom, the South African telecommunications company.

Aware of the globalisation of postal services, the Post Office has established a presence in the US, where Metromail - its joint venture partner - sorts and bags bulk mail bound for Britain and continental Europe. It could yet expand that model in Europe, although senior managers are awaiting a European Commission statement on postal deregulation before making a final decision.

The Post Office clearly has international horizons. But marrying state ownership with commercial enterprise at home remains the priority. "The issue for us," says Mr Roberts, "is not whether to privatise but how to get the best out of commercial freedom."

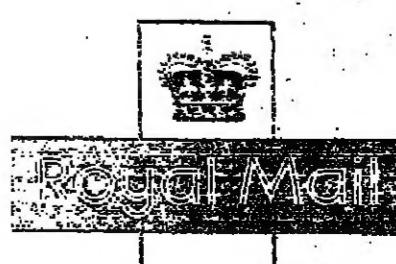


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